

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL **FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2006

County of Culpeper, Virginia

Comprehensive Annual
Financial Report

Year Ended June 30, 2006

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

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County of Culpeper
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November 16, 2006

To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year ended June 30, 2006. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls. In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2005 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Culpeper report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a landfill. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The county encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, furniture, kitchen cabinets, wire cable, fiber optics and iron castings.

Major service industries include: international financial telecommunications, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper's economy, with beef cattle the principal livestock and soy beans, hay and corn the major cash crops.

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.2% at June 30, 2006, which is same as it was at June 30, 2005. The local unemployment rate compares favorably to the state and national rate of 3.3% and 4.8% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the past several years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,685 in 2006. In summary, local business indicators are continuing to indicate a good local economy.

MAJOR INITIATIVES

For fiscal year 2006: Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies implemented and continued a number of specific "*programs*" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or completed during this fiscal year are:

- County airport Improvements.
- Public safety communications.
- Culpeper Community Recreation Complex
- Increase in teacher and administrative salaries above SOQ
- Energy Program for School System
- New School Bus Lease
- New classroom space for Culpeper High School
- Architectural development for new high school
- Budget for down payment on new high school
- Expansion of Commissioner of the Revenue's Office to include Assessors
- Lease and renovation of the former Town Hall, 118 W. Davis Street

Airport Improvements

During fiscal year 2005 construction began on the mid-field apron as well as a parking area and hangar site prep work and this work was completed during fiscal year 2006. Fiscal year 2005 saw the completion of major enhancements at the Culpeper Regional Airport, including the extension of the runway and taxiway to 5,000 feet. A taxiway extension, a new corporate hangar, and 15 new T-hangars were completed in fiscal year 2002. The construction is required due to a significant increase in air traffic utilizing this centrally located airport. Construction of the overall plan is well under way. Fiscal year 2001 included obstruction removal and taxiway construction, which was carried into fiscal year 2002. Runway extension design was completed in fiscal year 2002, as was apron construction. Runway extension was substantially completed in fiscal year 2004.

Public Safety Communications

Planning for a major upgrade to the County's Public Safety Radio System was completed in fiscal year 2000. The new system will link all operations of County government and law enforcement, fire, rescue, and EMS Services, with the County's E911 public safety communications center. The project was expected to take 2 years to complete and will be "state of the art" in communications technology. With the towers construction completed, the purchase of the Radio System will begin concurrently with the acquisition of a new Emergency Operations Center. Construction of the new EOC began in 2004, and the construction was substantially complete in FY06. Installation of the radio system was completed during fiscal year 2006.

Culpeper Community Recreation Complex

In 2003, the County of Culpeper hired a Civil Engineering firm to design and prepare bid documents for a recreation complex that includes seven baseball fields, three football fields, six soccer fields, and recreational walking trails. The complex will address the need for playing fields for intramural sports in the County. Construction began in 2004 with substantial completion of the fields available for public use in fiscal year 2006.

New School Bus Lease

During fiscal year 2004, the School System requested a plan for both bus replacement and new bus additions. The Board of Supervisors recognized the need for additional buses due to the increase in students in the county as well as a need for safety in replacing older buses. Therefore the funding has been approved in the fiscal year 2004, 2005 and 2006 budgets for debt service for this plan. The master lease for a five-year draw down was in excess of \$2,000,000.

New Classroom Space for Culpeper County High School

The Board of Supervisors, recognizing the space needs of the School System began discussions with the School Board during fiscal year 2004. The School System brought to the Board of Supervisors a plan for a new high school, new elementary school and renovations of existing schools. In an effort to provide space needs, timely develop a long-term space needs plan, and considering the affects on the taxpayers of Culpeper County, the Board of Supervisors decided to fund construction of a "classroom building" which will contain 22 classrooms and a culinary kitchen on the High School campus. Construction was expected to be completed by January 2006 for the start of the second semester of fiscal year 2006 classes, however, the building was not completed until the Spring of 2006.

Architectural Development for New High School

As mentioned in the above paragraph, the Board of Supervisors recognizes the need for space in the School System. Therefore they began funding in fiscal year 2005 for the architectural design of a new 1500 student high school. Construction of the new high school began in April 2006 with the first year of classes to begin in fiscal year 2008.

Budget for Down Payment of New High School

In an effort to reduce the impact to the taxpayers of the county for construction of a new high school, the Board of Supervisors began during fiscal year 2004 and continued in 2005 budgeting funds that would be reserved to help offset the debt costs when funding was borrowed for the construction of the new high school. This savings account collected through fiscal year 2006 has amounted to \$2,092,005. The fiscal year 2007 amount approved to be set aside to continue this program is \$500,000.

Future Elementary School Space

As discussed above, the Board of Supervisors has had continuous discussions with the School Board regarding space issues. The second phase of this plan calls for a new elementary school. During the fiscal year 2007 budget discussions, it was determined that an addition to an existing elementary school was not in the best interest of the county or its citizens. Therefore during fiscal year 2007 the Board of Supervisors has planned to begin construction of a new elementary school in the spring of 2007 with completion of this school during fiscal year 2008.

Expansion of the Commissioner of the Revenue's Office to include Real Estate Assessors

During fiscal year 2005 and continuing into fiscal year 2006, the Board of Supervisors created the Assessment division of the Commissioner of the Revenue's Office to allow for in house reassessment of real estate parcels. The BOS previously contracted these services with Blue Ridge Appraisers. During fiscal year 2002 and continuing into fiscal year 2003, the county contracted out the general reassessment, however, the Board of Supervisors along with input from the Commissioner of the Revenue's Office, felt this task could more efficiently be completed in house, allowing for better customer service to the citizens. The Reassessment division is currently working on the next general reassessment, which will occur during fiscal year 2008.

Renovation of the former Town Hall, 118 W. Davis Street

The Board of Supervisors recognizes the crowded conditions in the Courthouse. In an effort to alleviate some of the crowding, the County leased 118 W. Davis Street from the Town of Culpeper for 20-years. The building was renovated in fiscal year 2006 for a total of \$670,000. The Commonwealths Attorney office and the assessment division of the Commissioner of Revenues Office were moved from the Courthouse to free up space for the Circuit Court Judge, Circuit Court Clerks Office, and General District Court Clerk. Environmental Services moved from 306 N. Main Street into the leased space as well, which allowed expansion of the Building Inspections and Planning offices.

Prospects for the Future. For the fiscal year 2006-2007, the Board of Supervisors has approved a General Fund Operating Budget of \$68,279,077. As part of the 2006-2007 budget process, the assessed values for both real estate and personal property were anticipated to increase, based on the past few years of growth recognized in the County, therefore the Board of Supervisors elected to maintain the real estate rate at \$0.89, but raised the personal property rate on properties not considered to be recreational from \$2.50 to \$3.50.

Risk Management. The County of Culpeper has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the county has obtained third party coverage for all liability risk.

Cash Management. Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$1,297,904. This is an increase from interest earned on temporary investments in fiscal year 2004-05 when the interest on investments totaled \$594,246.

OTHER INFORMATION

Management's Discussion and Analysis. Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Culpeper's MD&A can be found immediately following the report of the independent auditors.

Independent Audit. The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

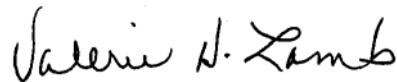
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

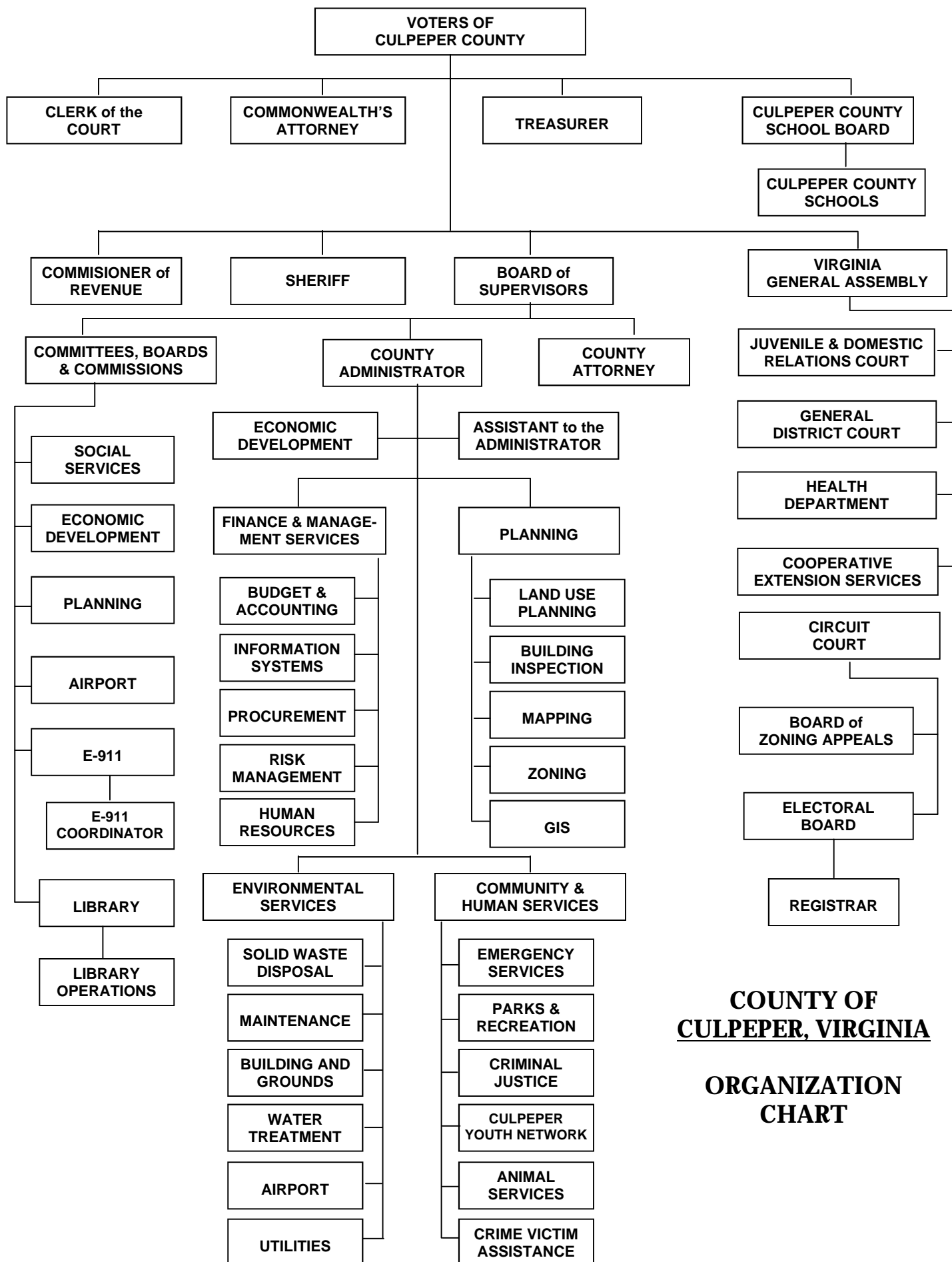
Respectfully submitted,



Frank T. Bossio
County Administrator



Valerie H. Lamb
Director of Finance



**COUNTY OF
CULPEPER, VIRGINIA**

**ORGANIZATION
CHART**

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COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2006

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

John F. Coates, Chairman
Steven E. Nixon, Vice-Chairman
Larry W. Aylor
Bradley C. Rosenberger
Sue D. Hansohn
William C. Chase, Jr.
Steven L. Walker

Salem District
West Fairfax District
Cedar Mountain District
Jefferson District
Catalpa District
Stevensburg District
East Fairfax District

CONSTITUTIONAL OFFICERS

Terry Yowell
David L. DeJarnette
Gary Close
H. Lee Hart
Janice Corbin

Commissioner of Revenue
Treasurer
Commonwealth's Attorney
Sheriff
Circuit Court Clerk

ADMINISTRATIVE OFFICERS

Frank T. Bossio
John D. Maddox
Valerie H. Lamb
Calvin Coleman

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

Elizabeth Hutchens, Chairman	Cedar Mountain District
Claudia L. Vento, Vice Chairman.....	West Fairfax District
Jennifer McCauley	Salem District
Leanne Jenkins.....	Jefferson District
Robert L. Jenkins, III	Catalpa District
George T. Dasher	Stevensburg District
Robert Beard	East Fairfax District

Administrative Officers

Dr. David A. Cox	Superintendent
Larry Carter.....	Executive Director of Administrative Services
Starr Rowe	Director of Personnel
Jeffrey R. Shomo	Executive Director of Business

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2006, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Culpeper, Virginia, basic financial statements. The introductory section, combining fund financial statements, supporting schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of Culpeper, Virginia. The combining fund financial statements, supporting schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$11,990,235 (net assets). Of this amount, (\$14,997,518) (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,882,536 an increase of \$1,294,735 in comparison with the prior year. Approximately 83 percent of this amount, \$31,589,504, is available for spending at Culpeper, Virginia's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$31,589,504, or 51 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Culpeper, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spend-able resources, as well as on balance of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds as well as the Culpeper County Water and Sewer Authority, which is a blended component unit of the County. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations as well as the water and sewer authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, airport, and water and sewer authority activities all of which are considered to be major funds of the County.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Overview of the Financial Statements: (Continued)

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$11,990,235 at year end.

The largest portion of the County's net assets (233 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Schedule of Assets, Liabilities and Net Assets
For the Years Ended June 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 44,469,905	\$ 42,105,044	\$ 2,055,049	\$ 1,341,315	\$ 46,524,954	\$ 43,446,359
Capital assets	<u>59,058,776</u>	<u>45,090,635</u>	<u>18,061,394</u>	<u>15,503,081</u>	<u>77,120,170</u>	<u>60,593,716</u>
Total assets	<u>\$ 103,528,681</u>	<u>\$ 87,195,679</u>	<u>\$ 20,116,443</u>	<u>\$ 16,844,396</u>	<u>\$ 123,645,124</u>	<u>\$ 104,040,075</u>
Long-term liabilities outstanding	\$ 98,464,571	\$ 38,343,127	\$ 2,519,010	\$ 2,719,652	\$ 100,983,581	\$ 41,062,779
Current liabilities	<u>10,304,017</u>	<u>8,209,880</u>	<u>367,291</u>	<u>431,684</u>	<u>10,671,308</u>	<u>8,641,564</u>
Total liabilities	<u>\$ 108,768,588</u>	<u>\$ 46,553,007</u>	<u>\$ 2,886,301</u>	<u>\$ 3,151,336</u>	<u>\$ 111,654,889</u>	<u>\$ 49,704,343</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 10,685,692	\$ 15,610,153	\$ 16,010,805	\$ 13,272,556	\$ 26,696,497	\$ 28,882,709
Restricted for:						
E-911	291,256	285,663	-	-	291,256	285,663
Unrestricted	<u>(16,216,855)</u>	<u>24,746,856</u>	<u>1,219,337</u>	<u>420,504</u>	<u>(14,997,518)</u>	<u>25,167,360</u>
Total net assets	<u>\$ (5,239,907)</u>	<u>\$ 40,642,672</u>	<u>\$ 17,230,142</u>	<u>\$ 13,693,060</u>	<u>\$ 11,990,235</u>	<u>\$ 54,335,732</u>

An additional portion of the County's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,997,518)) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is not able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

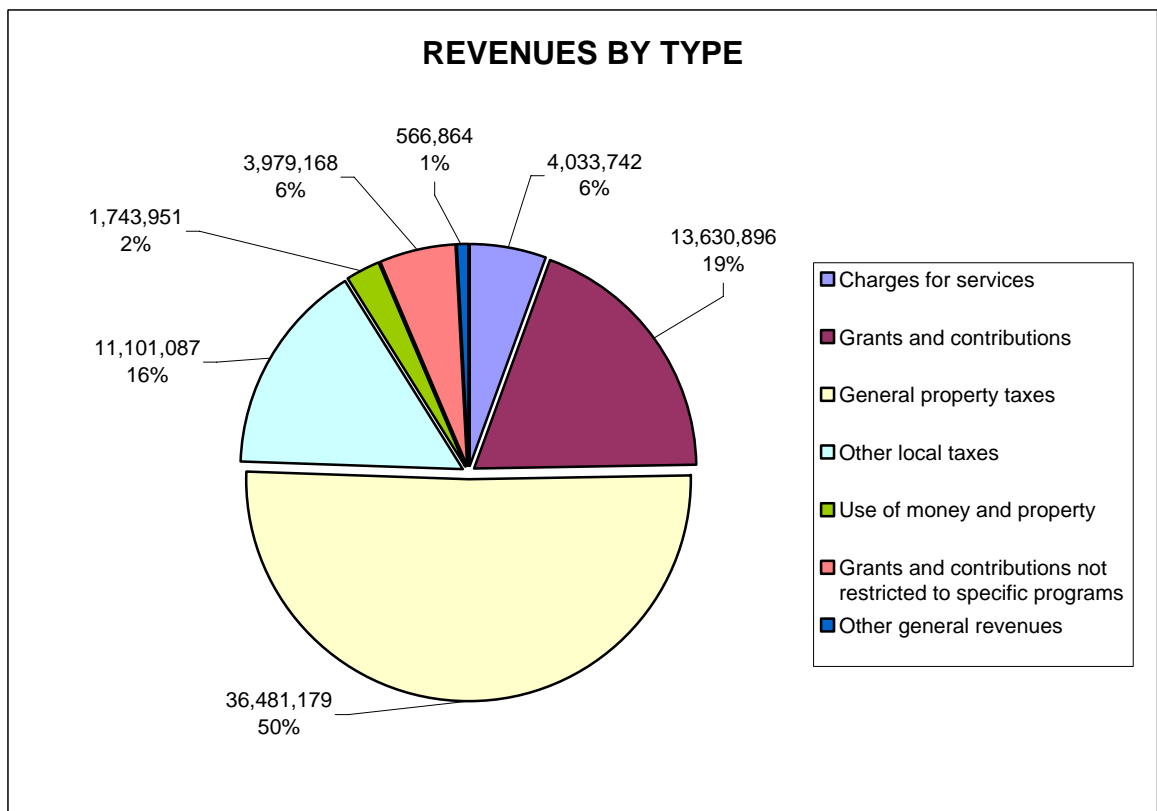
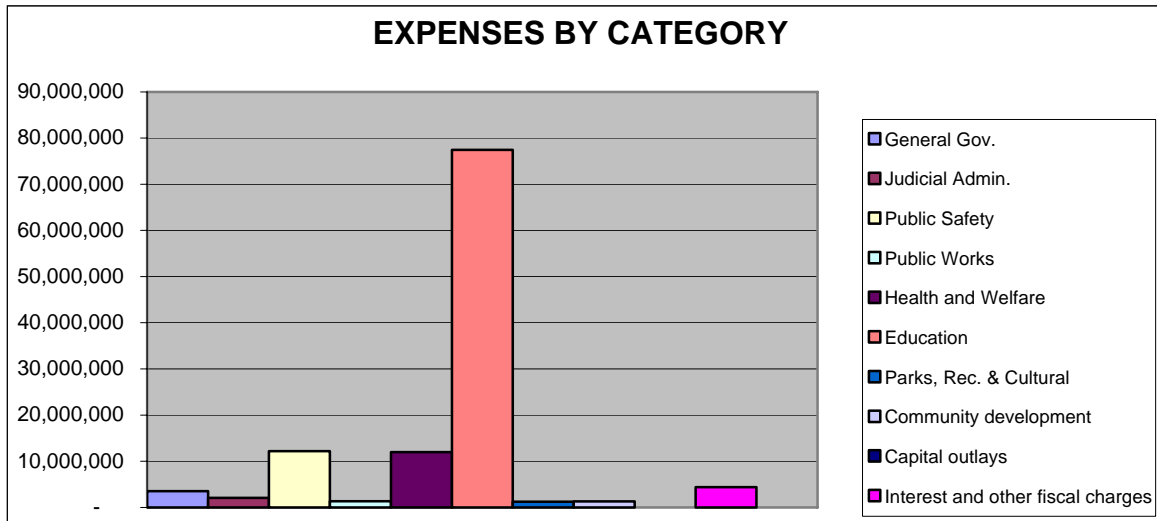
Overview of the Financial Statements: (Continued)

Governmental Activities - Governmental activities decreased the County's net assets by (\$45,882,579) while the School Board's net assets increased \$54,922,709. This decrease was caused by the issuance of School Board debt totaling \$61,700,000 and acquiring joint owned assets of \$10,173,291. Key elements of the changes in net assets are as follows:

Changes in Net Assets For the Years Ended June 30, 2006 and 2005						
	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 4,033,742	\$ 3,849,443	\$ 3,417,868	\$ 2,925,195	\$ 7,451,610	\$ 6,774,638
Operating grants and contributions	12,348,396	11,750,046	-	-	12,348,396	11,750,046
Capital grants and contributions	1,282,500	-	3,244,989	496,474	4,527,489	496,474
General revenues:						
General property taxes	36,481,179	32,650,412	-	-	36,481,179	32,650,412
Other local taxes	11,101,087	10,439,311	-	-	11,101,087	10,439,311
Use of money and property	1,743,951	890,239	80,001	21,465	1,823,952	911,704
C/VA non-categorical aid	3,979,168	3,493,550	-	-	3,979,168	3,493,550
Other general revenues	566,865	593,142	-	84,976	566,865	678,118
Total revenues	\$ 71,536,888	\$ 63,666,143	\$ 6,742,858	\$ 3,528,110	\$ 78,279,746	\$ 67,194,253
Expenses:						
General government administration	\$ 3,543,334	\$ 2,953,543	\$ -	\$ -	\$ 3,543,334	\$ 2,953,543
Judicial administration	2,069,759	1,969,364	-	-	2,069,759	1,969,364
Public safety	12,172,591	10,081,478	-	-	12,172,591	10,081,478
Public works	1,352,053	1,479,809	-	-	1,352,053	1,479,809
Health and welfare	11,967,563	10,379,264	-	-	11,967,563	10,379,264
Education	77,431,819	23,427,804	-	-	77,431,819	23,427,804
Parks, recreation, and cultural	1,262,842	1,100,173	-	-	1,262,842	1,100,173
Community development	1,329,556	1,120,188	-	-	1,329,556	1,120,188
Interest and other fiscal charges	4,411,072	1,862,068	-	-	4,411,072	1,862,068
Landfill	-	-	3,275,796	2,782,599	3,275,796	2,782,599
Water and Sewer	-	-	487,099	429,363	487,099	429,363
Airport	-	-	1,313,602	835,945	1,313,602	835,945
Water and Sewer Authority	-	-	8,157	563	8,157	563
Total expenses	\$ 115,540,589	\$ 54,373,691	\$ 5,084,654	\$ 4,048,470	\$ 120,625,243	\$ 58,422,161
Increase(decrease) in net assets before transfers	\$ (44,003,701)	\$ 9,292,452	\$ 1,658,204	\$ (520,360)	\$ (42,345,497)	\$ 8,772,092
Transfers	(1,878,878)	(1,687,068)	1,878,878	1,687,068	-	-
Increase in net assets	\$ (45,882,579)	\$ 7,605,384	\$ 3,537,082	\$ 1,166,708	\$ (42,345,497)	\$ 8,772,092
Net assets, July 1, 2005, as restated	40,642,672	33,037,288	13,693,060	12,526,352	54,335,732	45,563,640
Net assets, June 30, 2006	\$ (5,239,907)	\$ 40,642,672	\$ 17,230,142	\$ 13,693,060	\$ 11,990,235	\$ 54,335,732

Overview of the Financial Statements: (Continued)

- Property taxes increased by \$3,830,767 (12 percent) during the year. Most of this increase is the product of general growth in assessments.
- Operating grants for governmental activities increased by \$598,350, mostly as a result of new grants awarded to support two of the County's functions: public safety and social services.



Overview of the Financial Statements: (Continued)

- The County received donations of three properties during the year which comprised more than 124 acres of land whose values totaled \$1,282,500. It is anticipated that the majority of acreage for these properties will be used to for recreational purposes and the other may be used for a County government complex.
- The County's revenue from use of money and property increased \$853,712 from FY 05 amounts due primarily to higher interest rates and interest received on bonds held.
- On the expense side the County's education expenses increased from \$23,427,804 to \$77,431,819. As noted previously the County issued \$61,700,000 in school debt and received a premium of \$968,881. The County in turn contributed these monies totaling \$62,668,881 to the School Board to finance construction of a new high school.
- Interest expense increased \$2,549,004 in fiscal year 2006 due principally to the debt service requirements on the \$61,700,000 funds obtained to be used towards the construction of the new high school.
- Public safety expenses increased from \$10,081,478 to \$12,172,591 in FY 05 to FY 06 due to increased services required in all sectors of this function of government. Law enforcement and traffic control expenses was the largest contributor to this increase as more police vehicles were obtained in FY 06 than in FY 05 and the general increase demanded by the citizens for public safety.
- Health and welfare expenses increased by \$1,588,299 due to increased expenses in daycare (\$365,583), Community youth services (\$244,793), and increases in various other programs.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities - Business-type activities increased the County's net assets by \$3,537,082, thereby accounting for 8 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$492,673 (17 percent) during the year. The largest component of this increase is landfill fees which increased by \$379,347.
- Airport capital grants received during the year totaled \$2,101,155 compared with \$439,829 in FY 05. These grants were obtained to assist in funding the Mid-field apron design and construction and for the parking / hangar site and for other projects at the Airport.
- Overall expenses increased from \$3,933,655 to \$4,980,562 in FY 05 to FY 06. The largest increase in expenses was depreciation in the Airport Fund which increased from \$229,795 to \$600,681 which was caused by depreciating the runway extension in FY 06 for the first time. This was a \$5.3 million addition to capital assets in the Airport Fund. Landfill Fund expenses increased \$493,197 in FY 06 over FY 05 and the primary reason was increased costs of contracted services which increased \$349,085.
- The Water and Sewer Authority received capital contributions of \$1,143,834 in FY 06 compared to \$236,980 in FY 05. This is due to the development of the Clevenger's Village project which is being paid for by the developer.
- Other increases in net assets are caused by the general growth in the County and the demand for services.

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,882,636, an increase of \$1,294,735 in comparison with the prior year. Approximately 83 percent of this total constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$31,589,504, while total fund balance reached \$36,939,738, an increase from the prior year of \$3,561,333. Key factors in the net increase are as follows:

- An increase of \$3,456,869 in property taxes due to increases real estate taxes of \$2,259,204 and personal property taxes of \$1,211,935. Real estate has increased because of the assessment of new homes for the first time and personal property has increased because of the strong local economy
- An increase of \$862,014 in interest earnings due to investments yielding a much higher rates
- An increase of \$1,422,771 in state and federal grants due to increased services offered in public safety and health and welfare
- An increase of \$3,478,020 in education due to increased costs required to increasing school age population in the County
- An increase in public safety of \$2,339,840 due to increased needs in the law enforcement traffic control and correction and detention
- An increase of \$1,427,055 in health and welfare primarily to support increasing needs of social services

The County's Capital Projects Fund balance decreased (\$2,266,598) during the year. The County issued total debt of \$61,700,000 and received a premium on this issue of \$968,881. This amount was contributed to the School board to be used for construction of the new high school. The Capital Projects Fund had revenues of \$1,119,095 and transfers in totaling \$2,102,435 while it expended \$4,556,162 in various projects during the year. Expenditures for capital projects were as follows:

1. EOC / Radio system project in which \$2,199,321
2. Old Town Hall renovations \$687,627
3. Route 729 to Route 522 Western Loop Road \$510,762
4. Culpeper Community complex \$437,305
5. Other projects \$721,147

In addition the County expended \$931,696 in interest and other debt service costs in this fund in 2006 compared to \$50,511 in FY 2005.

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Airport Fund at the end of the year were \$11,127,153, an increase from the prior year of \$1,709,824. Charges for services increased \$80,603 and transfers in decreased \$149,973 from prior year amounts.

Net assets of the Landfill Fund totaled \$1,982,071, an increase from prior year of \$697,421. Charges for services and transfers increased from the prior year by \$379,347 and \$58,443 respectively.

Financial Analysis of the County's Funds: (Continued)

The Water and Sewer fund other expenses increased from \$227,055 in 2005 to \$313,927 in 2006 due principally to continuing work on the County's water and sewer master plan. These expenses were funding form in transfers from the General Fund. Water and Sewer net assets decreased \$19,496 for the year ending June 30, 2006 and total \$2,735,099.

During 2005 the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County which we call Clevenger's Corner. During the year \$1,143,834 was contributed by the developer and \$1,023,024 of infrastructure costs were capitalized. At June 30, 2006 net assets totaled \$1,385,819.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$3,575,909 and can be briefly summarized as follows:

- \$1,962,339 in health and welfare
- \$1,250,904 in public safety
- \$176,013 in public works
- \$286,475 in community development
- \$772,425 in debt service
- \$230,642 in other

Of this increase, \$2,122,252 was to be funded from intergovernmental revenues and \$73,935 from local revenues. The remaining \$2,482,611 was to be budgeted from available fund balance.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$77,120,170 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$101,373,775. Of this amount \$83,834,135 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

Legislation enacted during fiscal year ended June 20, 2002 requires that the Primary Government has assumed debt historically reported by the School Board. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. Culpeper's revenues continue to indicate a good local economy reflecting the fact that Culpeper is an attractive location for businesses and new residents. The County's growing community is evidenced by its increasing population, its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

Economic Factors and Next Year's Budgets and Rates: (Continued)

The economy has increased both on the state and federal level. The Consumer Price Index in the United States as of June 2006 had increased 2.5%. Low interest rates maintained by the Federal Reserve have continued to help housing starts, as have been evidenced locally. The continued growth in housing starts has been identified in all departments of Culpeper County with more demands from a growing community.

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.2% at June 30, 2006, which is slightly higher than the 3.00% at June 30, 2005. The local unemployment rate compares favorable to the state and national rate of 3.3% and 4.8% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last seven years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,685 in 2006. In summary, local business indicators are continuing to indicate a good local economy.

All of these factors were considered in preparing the County's budget for the 2007 fiscal year.

Real estate tax assessments increased \$303,993,327; however personal property tax assessments increased \$70,899,706 in the calendar year 2006 in comparison to the 2005 calendar year. Because of the anticipated increases in real estate during the preparation of the fiscal year 2007 budget, the Board of Supervisors maintained the real estate rate at .89, however to generate additional revenue for the new high school debt service, the Board of Supervisors raised the personal property rate from \$2.50 to \$3.50 for all categories but recreational.

Requests for Information

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 37,524,485	\$ 4,097,045	\$ 41,621,530	\$ 56,163,121
Receivables (net of allowance for uncollectibles):				
Property taxes	1,085,759	-	1,085,759	-
Accounts receivable	600,420	346,447	946,867	-
Prepaid items	108,700	-	108,700	-
Inventory	-	25,161	25,161	-
Due from primary government	-	-	-	4,596,488
Internal balances	2,457,808	(2,457,808)	-	-
Due from other governments	2,692,733	44,204	2,736,937	1,504,097
Total Current Assets	\$ 44,469,905	\$ 2,055,049	\$ 46,524,954	\$ 62,263,706
Noncurrent Assets				
Capital assets (net of depreciation):				
Land and land improvements	\$ 3,343,256	\$ 1,155,993	\$ 4,499,249	\$ 1,614,718
Construction in progress	25,746,453	1,357,351	27,103,804	-
Buildings	6,147,631	15,442,494	21,590,125	9,115,841
Equipment	1,290,309	105,556	1,395,865	4,481,217
Jointly owned assets	22,531,127	-	22,531,127	7,710,519
Total Capital Assets	\$ 59,058,776	\$ 18,061,394	\$ 77,120,170	\$ 22,922,295
Total Assets	\$ 103,528,681	\$ 20,116,443	\$ 123,645,124	\$ 85,186,001
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	\$ 878,707	\$ 163,100	\$ 1,041,807	\$ 6,504,854
Unearned revenue	176,155	-	176,155	88,230
Due to component unit	4,596,488	-	4,596,488	-
Accrued interest payable	1,953,015	-	1,953,015	-
Current portion of long-term obligations	2,699,652	204,191	2,903,843	509,856
Total Current Liabilities	\$ 10,304,017	\$ 367,291	\$ 10,671,308	\$ 7,102,940
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	98,464,571	2,519,010	100,983,581	1,713,287
Total Liabilities	\$ 108,768,588	\$ 2,886,301	\$ 111,654,889	\$ 8,816,227
NET ASSETS				
Invested in capital assets, net of related debt	\$ 10,685,692	\$ 16,010,805	\$ 26,696,497	\$ 22,190,976
Restricted for:				
E-911	291,256	-	291,256	-
Unrestricted assets	(16,216,855)	1,219,337	(14,997,518)	54,178,798
Total Net Assets	\$ (5,239,907)	\$ 17,230,142	\$ 11,990,235	\$ 76,369,774
Total Liabilities and Net Assets	\$ 103,528,681	\$ 20,116,443	\$ 123,645,124	\$ 85,186,001

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,543,334	\$ -	\$ 278,320	\$ 1,282,500
Judicial administration	2,069,759	402,299	1,357,127	-
Public safety	12,172,591	122,835	2,951,304	-
Public works	1,352,053	-	-	-
Health and welfare	11,967,563	1,199,314	7,761,645	-
Education	77,431,819	-	-	-
Parks, recreation, and cultural	1,262,842	155,619	-	-
Community development	1,329,556	2,153,675	-	-
Interest on long-term debt	4,411,072	-	-	-
Total government activities	\$ 115,540,589	\$ 4,033,742	\$ 12,348,396	\$ 1,282,500
Business-type activities:				
Landfill	\$ 3,275,796	\$ 2,667,679	\$ -	\$ -
Water and sewer	487,099	131,796	-	-
Airport	1,313,602	618,393	-	3,244,989
Water and sewer authority	8,157	-	-	-
Total business-type activities	\$ 5,084,654	\$ 3,417,868	\$ -	\$ 3,244,989
Total primary government	\$ 120,625,243	\$ 7,451,610	\$ 12,348,396	\$ 4,527,489
COMPONENT UNIT:				
School Board	\$ 58,479,524	\$ 1,643,138	\$ 33,653,214	\$ 54,271,200
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
E-911 taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board, unrestricted				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	School Board	
\$ (1,982,514)	\$ -	\$ (1,982,514)	\$ -	
(310,333)	-	(310,333)	-	
(9,098,452)	-	(9,098,452)	-	
(1,352,053)	-	(1,352,053)	-	
(3,006,604)	-	(3,006,604)	-	
(77,431,819)	-	(77,431,819)	-	
(1,107,223)	-	(1,107,223)	-	
824,119	-	824,119	-	
(4,411,072)	-	(4,411,072)	-	
\$ (97,875,951)	\$ -	\$ (97,875,951)	\$ -	
\$ -	\$ (608,117)	\$ (608,117)	\$ -	
-	(355,303)	(355,303)	-	
-	2,549,780	2,549,780	-	
-	(8,157)	(8,157)	-	
\$ -	\$ 1,578,203	\$ 1,578,203	\$ -	
\$ (97,875,951)	\$ 1,578,203	\$ (96,297,748)	\$ -	
\$ -	\$ -	\$ -	\$ 31,088,028	
\$ 36,481,179	\$ -	\$ 36,481,179	\$ -	
5,525,376	-	5,525,376	-	
2,005,108	-	2,005,108	-	
841,571	-	841,571	-	
1,866,077	-	1,866,077	-	
737,060	-	737,060	-	
125,896	-	125,896	-	
-	-	-	22,045,967	
1,743,951	80,001	1,823,952	1,731,760	
566,864	-	566,864	56,954	
3,979,168	-	3,979,168	-	
(1,878,878)	1,878,878	-	-	
\$ 51,993,372	\$ 1,958,879	\$ 53,952,251	\$ 23,834,681	
\$ (45,882,579)	\$ 3,537,082	\$ (42,345,497)	\$ 54,922,709	
40,642,672	13,693,060	54,335,732	21,447,065	
\$ (5,239,907)	\$ 17,230,142	\$ 11,990,235	\$ 76,369,774	

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2006

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 36,547,710	\$ 976,775	\$ 37,524,485
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	1,085,759	-	1,085,759
Accounts	600,420	-	600,420
Prepaid items	108,700	-	108,700
Due from other funds	2,457,808	-	2,457,808
Due from other governmental units	2,692,733	-	2,692,733
Total assets	<u>\$ 43,493,130</u>	<u>\$ 976,775</u>	<u>\$ 44,469,905</u>
LIABILITIES			
Accounts payable	\$ 293,750	\$ 33,977	\$ 327,727
Accrued liabilities	550,980	-	550,980
Due to component unit	4,596,488	-	4,596,488
Deferred revenue	1,112,174	-	1,112,174
Total liabilities	<u>\$ 6,553,392</u>	<u>\$ 33,977</u>	<u>\$ 6,587,369</u>
FUND BALANCES			
Unreserved:			
Designated for subsequent expenditures	\$ 1,758,229	\$ -	\$ 1,758,229
Designated for capital projects	3,592,005	942,798	4,534,803
Unreserved	31,589,504	-	31,589,504
Total fund balances	<u>\$ 36,939,738</u>	<u>\$ 942,798</u>	<u>\$ 37,882,536</u>
Total liabilities and fund balances	<u>\$ 43,493,130</u>	<u>\$ 976,775</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or expenditures in governmental funds. However, the statement of net assets includes those capital constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

59,058,776

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(1,953,015)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

936,019

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(101,164,223)

Net assets of General Government Activities

\$ (5,239,907)

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2006

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 36,264,828	\$ -	\$ 36,264,828
Other local taxes	11,101,087	-	11,101,087
Permits, privilege fees and regulatory licenses	2,161,763	-	2,161,763
Fines and forfeitures	60,453	-	60,453
Revenue from use of money and property	1,627,157	116,794	1,743,951
Charges for services	1,811,526	-	1,811,526
Miscellaneous	521,529	45,335	566,864
Recovered costs	96,416	-	96,416
Intergovernmental:			
School Board Contribution to Primary Government	-	931,966	931,966
Commonwealth	10,336,751	-	10,336,751
Federal	5,965,813	25,000	5,990,813
Total revenues	\$ 69,947,323	\$ 1,119,095	\$ 71,066,418
Expenditures:			
Current:			
General government administration	\$ 3,431,935	\$ 136,435	\$ 3,568,370
Judicial administration	2,074,360	-	2,074,360
Public safety	12,226,921	2,199,212	14,426,133
Public works	1,011,376	1,783,209	2,794,585
Health and welfare	12,005,443	-	12,005,443
Education	24,141,359	62,668,881	86,810,240
Parks, recreation, and cultural	1,413,035	437,306	1,850,341
Community development	1,285,455	-	1,285,455
Debt service:			
Principal retirement	2,340,953	-	2,340,953
Interest and other fiscal charges	2,473,840	931,966	3,405,806
Total expenditures	\$ 62,404,677	\$ 68,157,009	\$ 130,561,686
Excess (deficiency) of revenues over expenditures	\$ 7,542,646	\$ (67,037,914)	\$ (59,495,268)
Other financing sources (uses):			
Issuance of debt	\$ -	\$ 61,700,000	\$ 61,700,000
Premium on bonds issued	-	968,881	968,881
Transfers in	-	2,102,435	2,102,435
Transfers (out)	(3,981,313)	-	(3,981,313)
Total other financing sources (uses)	\$ (3,981,313)	\$ 64,771,316	\$ 60,790,003
Changes in fund balances	\$ 3,561,333	\$ (2,266,598)	\$ 1,294,735
Fund balances at beginning of year	33,378,405	3,209,396	36,587,801
Fund balances at end of year	\$ 36,939,738	\$ 942,798	\$ 37,882,536

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2006

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	1,294,735
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense as follows:		
Capital assets	\$ 15,315,579	
Donated capital assets	1,282,500	
Depreciation expense	<u>(1,384,344)</u>	15,213,735
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,245,594)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in deferred revenue - taxes.		216,351
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:		
Principal retired on long-term debt	\$ 2,526,673	
Premium on bonds issued	(968,881)	
Amortization of deferred amount on refunding	(46,120)	
Issuance of general obligation bonds	<u>(61,700,000)</u>	(60,188,328)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued leave	\$ (28,612)	
Change in interest payable	<u>(1,144,866)</u>	<u>(1,173,478)</u>
Change in net assets of governmental activities	\$	<u><u>(45,882,579)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 June 30, 2006

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 2,089,573	\$ -	\$ 1,422	\$ 2,006,050	\$ 4,097,045
Receivables (net of allowance for uncollectibles):					
Accounts receivable	198,435	106,576	13,199	28,237	346,447
Due from other governments	-	-	44,204	-	44,204
Inventory	-	-	25,161	-	25,161
Total Current Assets	<u>\$ 2,288,008</u>	<u>\$ 106,576</u>	<u>\$ 83,986</u>	<u>\$ 2,034,287</u>	<u>\$ 4,512,857</u>
Noncurrent Assets					
Capital assets (net of depreciation):					
Land	\$ 401,073	\$ 235,200	\$ 519,720	\$ -	\$ 1,155,993
Construction in progress	-	-	5,819	1,351,532	1,357,351
Buildings and improvements	-	2,369,701	13,072,793	-	15,442,494
Equipment	9,582	67,047	28,927	-	105,556
Total Capital Assets	<u>\$ 410,655</u>	<u>\$ 2,671,948</u>	<u>\$ 13,627,259</u>	<u>\$ 1,351,532</u>	<u>\$ 18,061,394</u>
Total Assets	<u><u>\$ 2,698,663</u></u>	<u><u>\$ 2,778,524</u></u>	<u><u>\$ 13,711,245</u></u>	<u><u>\$ 3,385,819</u></u>	<u><u>\$ 22,574,251</u></u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	\$ 45,408	\$ 41,997	\$ 75,695	\$ -	\$ 163,100
Due to other funds	-	-	457,808	2,000,000	2,457,808
Current portion of long-term obligations	1,764	141	202,286	-	204,191
Total Current Liabilities	<u>\$ 47,172</u>	<u>\$ 42,138</u>	<u>\$ 735,789</u>	<u>\$ 2,000,000</u>	<u>\$ 2,825,099</u>
Noncurrent Liabilities					
Noncurrent portion of long-term obligations	669,420	1,287	1,848,303	-	2,519,010
Total Liabilities	<u>\$ 716,592</u>	<u>\$ 43,425</u>	<u>\$ 2,584,092</u>	<u>\$ 2,000,000</u>	<u>\$ 5,344,109</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 410,655	\$ 2,671,948	\$ 11,576,670	\$ 1,351,532	\$ 16,010,805
Unrestricted assets	1,571,416	63,151	(449,517)	34,287	1,219,337
Total Net Assets	<u>\$ 1,982,071</u>	<u>\$ 2,735,099</u>	<u>\$ 11,127,153</u>	<u>\$ 1,385,819</u>	<u>\$ 17,230,142</u>
Total Liabilities and Net Assets	<u><u>\$ 2,698,663</u></u>	<u><u>\$ 2,778,524</u></u>	<u><u>\$ 13,711,245</u></u>	<u><u>\$ 3,385,819</u></u>	<u><u>\$ 22,574,251</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets --
 Proprietary Funds
 Year Ended June 30, 2006

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Operating revenues:					
Charges for services	\$ 2,667,679	\$ 131,796	\$ 618,393	\$ -	\$ 3,417,868
Total operating revenues	\$ 2,667,679	\$ 131,796	\$ 618,393	\$ -	\$ 3,417,868
Operating expenses:					
Personal services	\$ 306,767	\$ 56,359	\$ 169,749	\$ -	\$ 532,875
Fringe benefits	75,445	13,156	35,900	-	124,501
Contractual services	2,778,757	21,346	70,922	-	2,871,025
Other charges	114,029	313,927	332,258	8,157	768,371
Depreciation	798	82,311	600,681	-	683,790
Total operating expenses	\$ 3,275,796	\$ 487,099	\$ 1,209,510	\$ 8,157	\$ 4,980,562
Operating income (loss)	\$ (608,117)	\$ (355,303)	\$ (591,117)	\$ (8,157)	\$ (1,562,694)
Nonoperating revenues (expenses):					
Interest income	\$ 52,323	\$ -	\$ 14,022	\$ 13,656	\$ 80,001
Interest expense	-	-	(104,092)	-	(104,092)
Total nonoperating revenues	\$ 52,323	\$ -	\$ (90,070)	\$ 13,656	\$ (24,091)
Income (loss) before contributions and transfers	\$ (555,794)	\$ (355,303)	\$ (681,187)	\$ 5,499	\$ (1,586,785)
Capital contributions and construction grants	-	-	2,101,155	1,143,834	3,244,989
Transfers:					
Transfers in	1,253,215	335,807	289,856	-	1,878,878
Change in net assets	\$ 697,421	\$ (19,496)	\$ 1,709,824	\$ 1,149,333	\$ 3,537,082
Net assets at beginning of year	1,284,650	2,754,595	9,417,329	236,486	13,693,060
Net assets at end of year	\$ 1,982,071	\$ 2,735,099	\$ 11,127,153	\$ 1,385,819	\$ 17,230,142

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --
Proprietary Funds
Year Ended June 30, 2006

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,547,782	\$ 91,311	\$ 589,172	\$ -	\$ 3,228,265
Payments to suppliers	(2,857,433)	(328,524)	(402,659)	(8,157)	(3,596,773)
Payments to employees	(380,783)	(68,496)	(203,654)	-	(652,933)
Net cash provided by (used in) operating activities	\$ (690,434)	\$ (305,709)	\$ (17,141)	\$ (8,157)	\$ (1,021,441)
Cash flows from capital and related financing activities:					
Purchases of capital assets	\$ -	\$ (30,098)	\$ (2,144,743)	\$ (1,129,310)	\$ (3,304,151)
State and federal grants	-	-	2,109,785	-	2,109,785
Capital contributions	-	-	-	1,115,597	1,115,597
Interest expense	-	-	(108,117)	-	(108,117)
Retirement of indebtedness	-	-	(192,272)	-	(192,272)
Net cash provided by (used in) capital and related financing activities	\$ -	\$ (30,098)	\$ (335,347)	\$ (13,713)	\$ (379,158)
Cash flows from noncapital financing activities:					
Transfers in	\$ 1,253,215	\$ 335,807	\$ 289,856	\$ -	\$ 1,878,878
Increase (decrease) in due to other funds	-	-	50,032	2,000,000	2,050,032
Net cash provided by (used in) noncapital and related financing activities	\$ 1,253,215	\$ 335,807	\$ 339,888	\$ 2,000,000	\$ 3,928,910
Cash flows from investing activities:					
Interest income	\$ 52,323	\$ -	\$ 14,022	\$ 13,656	\$ 80,001
Increase in cash and cash equivalents	\$ 615,104	\$ -	\$ 1,422	\$ 1,991,786	\$ 2,608,312
Cash and cash equivalents at beginning of year	1,474,469	-	-	14,264	1,488,733
Cash and cash equivalents at end of year	\$ 2,089,573	\$ -	\$ 1,422	\$ 2,006,050	\$ 4,097,045
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (608,117)	\$ (355,303)	\$ (591,117)	\$ (8,157)	\$ (1,562,694)
Adjustments to reconcile net loss to net cash provided by operations:					
Depreciation	\$ 798	\$ 82,311	\$ 600,681	\$ -	\$ 683,790
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(119,897)	(40,485)	(29,221)	-	(189,603)
Decrease in due from other governments	-	-	-	-	-
Decrease in inventory	-	-	9,552	-	9,552
Increase (decrease) in accounts payable	35,353	6,749	(9,031)	-	33,071
Increase (decrease) in accrued leave	1,429	1,019	1,995	-	4,443
Total adjustments	\$ (82,317)	\$ 49,594	\$ 573,976	\$ -	\$ 541,253
Net cash provided by (used in) operating activities	\$ (690,434)	\$ (305,709)	\$ (17,141)	\$ (8,157)	\$ (1,021,441)

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets --
Fiduciary Funds
At June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 249,754
Accounts receivable	<u>12,747</u>
Total assets	\$ <u><u>262,501</u></u>
LIABILITIES	
Amounts held for others	\$ 167,095
Amounts held for inmates	11,408
Amounts held for social service clients	<u>83,998</u>
Total liabilities	\$ <u><u>262,501</u></u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements As of June 30, 2006

Note 1—Summary of Significant Accounting Policies:

The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities, cultural events, education, social services.

The financial statements of the County of Culpeper, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its components units. For the most part, effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Culpeper, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2006.

Discretely Presented Component Units - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2006.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures: (Continued)

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

The Piedmont Regional Control Board is considered a joint venture. The County School Boards for the localities of Culpeper, Orange, Madison & Rappahannock participate in supporting the Piedmont Regional Control Board for local residents. The Center provides vocational training to secondary and adult students. The Piedmont Regional Control Board is governed by an eight member board of trustees of which two are appointed by each of the participating localities. No one locality contributes more than 50% of the Board's funding.

Complete financial statements for the Center can be obtained from the County Administrative Offices located at 302 N. Main Street, Culpeper, Virginia 22701.

Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

a. General Fund

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

3. Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

3. Enterprise Funds: (Continued)

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

Water and Sewer Authority - This fund is used to account for the activities occurring at the Water and Sewer Authority.

4. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's agency funds are the Special Welfare Fund, Sheriff Commissary Fund, Piedmont Tech Fund and Thrift Store.

D. Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amount within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Budgets and Budgetary Accounting: (Continued)

7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. No investments are valued at cost. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$266,196 at June 30, 2005 is composed solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

G. Inventory

Inventory is reported at cost.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2006 was immaterial.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

O. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the County who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Component Unit-School board Capital Asset and Debt Presentation: (Continued)

In the Statement of Net assets, this scenario presents a dilemma for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

Note 2—Deposits and Investments:

Deposits

All cash of the County and School Board Component Unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

Statutes authorize the County and School Board Component Unit to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2006 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Locality's Rate Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA	A-1+	
STI Classic Institutional Municipal Money Market			
Mutual Funds	\$ 6,216,844	\$ -	
Local Government Investment Pool	26,940,678	-	
Corporate Debt	-	2,294,326	
Commercial Paper	-	3,722,339	
State Non-Arbitrage Pool	3,500,050	-	
Evegreen Treasury Money Market Fund	12,181,556	-	
U.S. Government Securities	23,695,983	13,908,901	
Total	\$ <u>72,535,111</u>	\$ <u>19,925,566</u>	
Investment maturities in years			
Investment Type	Fair Value	Less Than 1 Years	1-5 Years
Corporate debt	\$ 2,294,326	\$ 2,294,326	\$ -
Commercial paper	3,722,339	3,722,339	-
U.S. Government Securities	<u>37,604,884</u>	<u>27,514,935</u>	<u>10,089,949</u>
Total	\$ <u>43,621,549</u>	\$ <u>33,531,600</u>	\$ <u>10,089,949</u>

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 3—Due from Other Governments:

At June 30, 2006 the County and School Board have receivables from other governments as follows:

	Primary Government	Discretely Presented Component Unit School Board
Commonwealth of Virginia:		
Aviation grant	\$ 44,204	\$ -
Shared expenses	267,163	-
State sales taxes	-	1,031,407
Local sales taxes	1,146,734	-
Public assistance	136,000	-
Comprehensive services	424,919	-
Miscellaneous	1,909	-
Federal Government:		
School funds	-	472,690
Public assistance	681,158	-
Miscellaneous	34,850	-
Total	<u>\$ 2,736,937</u>	<u>\$ 1,504,097</u>

Note 4—Due To/from Primary Government/Component Unit:

Fund	Due from Primary Government	Due to Component Unit
General	\$ -	\$ 4,596,488
School	<u>4,596,488</u>	<u>-</u>
Total	<u>\$ 4,596,488</u>	<u>\$ 4,596,488</u>

The purpose of the interfund obligation between the County and School Board is to report the balance of local appropriations upspent at year-end due back to the respective funds.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2006:

	Restated Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,060,756	\$ 1,282,500	\$ -	\$ 3,343,256
Construction in Progress	11,293,863	4,279,299	-	15,573,162
Construction in Progress-jointly owned assets	-	10,173,291	-	10,173,291
Total capital assets not being depreciated	<u>\$ 13,354,619</u>	<u>\$ 15,735,090</u>	<u>\$ -</u>	<u>\$ 29,089,709</u>
Capital assets, being depreciated:				
Buildings	\$ 9,402,787	\$ 7,000	\$ -	\$ 9,409,787
Equipment	4,308,273	667,716	-	4,975,989
Jointly owned assets	28,459,369	-	1,701,758	26,757,611
Total capital assets being depreciated	<u>\$ 42,170,429</u>	<u>\$ 674,716</u>	<u>\$ 1,701,758</u>	<u>\$ 41,143,387</u>
Less accumulated depreciation for:				
Buildings	\$ 3,226,791	\$ 35,365	\$ -	\$ 3,262,156
Equipment	3,194,487	491,193	456,164	3,229,516
Jointly owned assets	4,013,135	669,513	-	4,682,648
Total accumulated depreciation	<u>\$ 10,434,413</u>	<u>\$ 1,196,071</u>	<u>\$ 456,164</u>	<u>\$ 11,174,320</u>
Total capital assets being depreciated, net	<u>\$ 31,736,016</u>	<u>\$ (521,355)</u>	<u>\$ 1,245,594</u>	<u>\$ 29,969,067</u>
Governmental activities capital assets, net	<u>\$ 45,090,635</u>	<u>\$ 15,213,735</u>	<u>\$ 1,245,594</u>	<u>\$ 59,058,776</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets:

The following is a summary of construction in progress changes in capital assets for the fiscal year ending June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Courthouse/courtyard renovations	\$ 67,319	\$ 21,893	\$ -	\$ 89,212
Piedmont Electrical project	117,024	119,287	-	236,311
Telephone switch	59,900	-	59,900	-
Old town hall renovations	65,748	771,810		837,558
New High School School off-site infrastructure	25,630	297,968		323,598
Route 620 Bicycle trail	6,159	789		6,948
Laurel Valley bike trail project	-	1,750		1,750
Spillman park	72,814	-		72,814
EOC Center	6,742,048	2,271,550		9,013,598
Upgrade Board of Supervisors meeting room	-	80,388		80,388
Future office space needs	-	336,458		336,458
Route 703 Community complex	4,137,222	437,305		4,574,527
Total	\$ 11,293,864	\$ 4,339,198	\$ 59,900	\$ 15,573,162

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets:

The following is a summary of changes in enterprise capital assets during the year:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Capital assets, being depreciated:				
Sewer Plant	\$ 2,985,592	\$ -	\$ -	\$ 2,985,592
Equipment	57,913	30,098	-	88,011
Total capital assets being depreciated	\$ 3,043,505	\$ 30,098	\$ -	\$ 3,073,603
Less accumulated depreciation for:				
Sewer Plant	\$ 540,876	\$ 75,015	\$ -	\$ 615,891
Equipment	13,668	7,296	-	20,964
Total accumulated depreciation	\$ 554,544	\$ 82,311	\$ -	\$ 636,855
Total capital assets being depreciated, net	\$ 2,488,961	\$ (52,213)	\$ -	\$ 2,436,748
Net capital assets	\$ 2,724,161	\$ (52,213)	\$ -	\$ 2,671,948
Landfill Fund				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Equipment	\$ 61,456	\$ -	\$ -	\$ 61,456
Total capital assets being depreciated	\$ 61,456	\$ -	\$ -	\$ 61,456
Less accumulated depreciation for:				
Equipment	\$ 51,076	\$ 798	\$ -	\$ 51,874
Total capital assets being depreciated, net	\$ 10,380	\$ (798)	\$ -	\$ 9,582
Net capital assets	\$ 411,453	\$ (798)	\$ -	\$ 410,655

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets: (Continued)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 519,720	\$ -	\$ -	\$ 519,720
Construction in Progress	5,590,775	2,188,981	7,773,936	5,820
Total capital assets, not being depreciated	\$ 6,110,495	\$ 2,188,981	\$ 7,773,936	\$ 525,540
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,927,815	\$ 7,773,936	\$ -	\$ 14,701,751
Equipment	70,085	-	-	70,085
Total capital assets being depreciated	\$ 6,997,900	\$ 7,773,936	\$ -	\$ 15,297,376
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,037,410	\$ 591,549	\$ -	\$ 1,628,959
Equipment	32,026	9,132	-	41,158
Total accumulated depreciation	\$ 1,069,436	\$ 600,681	\$ -	\$ 1,670,117
Total capital assets being depreciated, net	\$ 5,928,464	\$ 7,173,255	\$ -	\$ 13,101,719
Net capital assets	\$ 12,038,959	\$ 9,362,236	\$ 7,773,936	\$ 13,627,259

The following is a summary of construction in progress changes for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Runway Extension	\$ 5,292,424	\$ -	\$ 5,292,424	\$ -
Parking/Hangar Site	27,500	684,948	712,448	-
Localizer	26,098	-	26,098	-
Mid-Field Apron Design & Construction	244,753	1,498,213	1,742,966	-
Hangar Sewer Line Extension	-	5,820	-	5,820
Total	\$ 5,590,775	\$ 2,188,981	\$ 7,773,936	\$ 5,820

Water and Sewer Authority

Capital assets, not being depreciated:				
Construction in Progress	\$ 328,508	\$ 1,023,024	\$ -	\$ 1,351,532
Net capital assets	\$ 328,508	\$ 1,023,024	\$ -	\$ 1,351,532

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets: (Continued)

The following is a summary of changes in School Board capital assets during the year:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,346,195	68,372	-	1,414,567
Construction in Progress	<u>3,345,874</u>	<u>8,244,102</u>	<u>11,589,976</u>	<u>-</u>
Total capital assets, not being depreciated	<u>\$ 4,892,220</u>	<u>\$ 8,312,474</u>	<u>\$ 11,589,976</u>	<u>\$ 1,614,718</u>
Capital assets, being depreciated:				
Buildings	\$ 20,437,201	\$ 1,421,462	\$ -	\$ 21,858,663
Equipment	11,337,667	1,543,846	1,238,783	11,642,730
Jointly owned assets	<u>7,697,652</u>	<u>1,701,758</u>	<u>-</u>	<u>9,399,410</u>
Total capital assets being depreciated	<u>\$ 39,472,520</u>	<u>\$ 4,667,066</u>	<u>\$ 1,238,783</u>	<u>\$ 42,900,803</u>
Less accumulated depreciation for:				
Buildings	\$ 11,857,624	\$ 896,907	\$ -	\$ 12,754,531
Jointly owned assets	7,164,627	1,235,670	1,238,783	7,161,514
Equipment	<u>1,221,017</u>	<u>456,164</u>	<u>-</u>	<u>1,677,181</u>
Total accumulated depreciation	<u>\$ 20,243,268</u>	<u>\$ 2,588,741</u>	<u>\$ 1,238,783</u>	<u>\$ 21,593,226</u>
Total capital assets being depreciated, net	<u>\$ 19,229,252</u>	<u>\$ 2,078,325</u>	<u>\$ -</u>	<u>\$ 21,307,577</u>
School Board capital assets, net	<u>\$ 24,121,472</u>	<u>\$ 10,390,799</u>	<u>\$ 11,589,976</u>	<u>\$ 22,922,295</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 68,261
Judicial administration	14,160
Public safety	416,059
Public works	114,198
Health and welfare	11,854
Education	669,513
Parks, recreation and cultural	51,320
Community development	<u>38,979</u>
Total governmental activities	\$ <u><u>1,384,344</u></u>
Enterprise Funds:	
Landfill	\$ 798
Water & sewer	82,311
Airport	<u>600,681</u>
Total enterprise funds	\$ <u><u>683,790</u></u>
Component Unit-School Board	\$ <u><u>2,132,577</u></u>
Depreciation Expense	\$ 2,132,577
Joint tenancy transfer of accumulated depreciation	<u>456,164</u>
Total accumulated depreciation, previous page	\$ <u><u>2,588,741</u></u>

Note 6—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,112,174 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$936,019 at June 30, 2006.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2006 but paid in advance by the taxpayers totaled \$176,155 at June 30, 2006.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions for the fiscal year ending June 30, 2006:

	Amounts Payable at July 1, 2005	Increases	Decreases	Amounts Payable at June 30, 2006	Amounts Due Within One Year
Governmental Funds:					
School general obligation bonds	\$ 28,459,369	\$ 54,200,000	\$ 2,146,028	\$ 80,513,341	\$ 2,142,431
Premium on school bonds	-	968,881	-	968,881	34,603
Less deferred amount on refunding	<u>(570,731)</u>	<u>-</u>	<u>(46,120)</u>	<u>(524,611)</u>	<u>(46,120)</u>
Total School general obligation bonds	\$ 27,888,638	\$ 55,168,881	\$ 2,099,908	\$ 80,957,611	\$ 2,130,914
Compensated absences payable	1,235,818	264,879	236,267	1,264,430	126,443
Revenue note	-	7,500,000	-	7,500,000	-
Lease revenue bonds	8,385,000	-	263,612	8,121,388	313,418
General obligations bonds	<u>3,437,827</u>	<u>-</u>	<u>117,033</u>	<u>3,320,794</u>	<u>128,877</u>
Total Governmental Funds	<u>\$ 40,947,283</u>	<u>\$ 62,933,760</u>	<u>\$ 2,716,820</u>	<u>\$ 101,164,223</u>	<u>\$ 2,699,652</u>
Enterprise Funds:					
Compensated absences payable	\$ 30,966	\$ 3,158	\$ 2,706	\$ 31,418	\$ 3,140
Lease revenue bonds	2,080,524	-	162,272	1,918,252	171,051
Notes Payable	150,000	-	30,000	120,000	30,000
Landfill closure and post-closure costs	<u>653,531</u>	<u>-</u>	<u>-</u>	<u>653,531</u>	<u>-</u>
Total Enterprise Funds	<u>\$ 2,915,021</u>	<u>\$ 3,158</u>	<u>\$ 194,978</u>	<u>\$ 2,723,201</u>	<u>\$ 204,191</u>
Total Primary Government	<u>\$ 43,862,304</u>	<u>\$ 62,936,918</u>	<u>\$ 2,911,798</u>	<u>\$ 103,887,424</u>	<u>\$ 2,903,843</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Lease Revenue Bonds		School General Obligation Bonds		General Obligation Bonds		Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 313,418	\$ 295,205	\$ 2,142,431	\$ 3,681,986	\$ 128,877	\$ 126,148	-	\$ 276,750
2008	325,025	283,598	2,194,054	3,562,945	133,867	121,156	-	276,750
2009	337,063	271,560	3,468,838	3,439,160	139,052	115,971	7,500,000	276,750
2010	349,548	259,076	3,500,845	3,273,702	144,438	110,585	-	-
2011	362,493	246,130	3,022,635	3,123,503	150,034	104,990	-	-
2012	375,919	232,704	3,029,928	2,986,603	155,846	99,178	-	-
2013	389,842	218,781	2,985,230	2,854,702	161,882	93,141	-	-
2014	404,280	204,343	3,077,700	2,717,145	168,154	86,870	-	-
2015	419,253	189,370	3,175,716	2,574,955	174,667	80,356	-	-
2016	434,781	173,842	3,268,310	2,436,189	181,434	73,590	-	-
2017	450,884	157,739	3,381,512	2,277,486	188,462	66,561	-	-
2018	467,583	141,040	3,067,352	2,125,135	195,764	59,260	-	-
2019	484,901	123,722	3,188,862	1,978,779	203,348	51,676	-	-
2020	502,860	105,763	3,315,082	1,826,563	211,226	43,798	-	-
2021	521,485	87,139	3,447,506	1,675,841	219,410	35,615	-	-
2022	540,799	67,825	2,902,320	1,518,823	227,910	27,114	-	-
2023	560,827	47,795	2,270,000	1,391,894	236,740	18,284	-	-
2024	581,599	27,024	2,365,000	1,298,256	245,914	9,111	-	-
2025	298,828	5,483	2,460,000	1,200,700	53,769	1,006	-	-
2026	-	-	2,585,000	1,077,700	-	-	-	-
2027	-	-	2,715,000	948,450	-	-	-	-
2028	-	-	2,830,000	833,063	-	-	-	-
2029	-	-	2,950,000	712,788	-	-	-	-
2030	-	-	3,080,000	580,038	-	-	-	-
2031	-	-	3,220,000	441,438	-	-	-	-
2032	-	-	3,360,000	300,563	-	-	-	-
2033	-	-	3,510,000	153,563	-	-	-	-
Total	<u>\$ 8,121,388</u>	<u>\$ 3,138,139</u>	<u>\$ 80,513,321</u>	<u>\$ 50,991,970</u>	<u>\$ 3,320,794</u>	<u>\$ 1,324,410</u>	<u>\$ 7,500,000</u>	<u>\$ 830,250</u>

Debt service requirements for general obligation bonds and other long-term obligations are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Enterprise:

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds		Note Payable
	Principal	Interest	Principal
2007	\$ 171,051	\$ 99,151	\$ 30,000
2008	180,304	89,647	30,000
2009	190,059	79,628	30,000
2010	200,341	69,067	30,000
2011	211,180	57,961	-
2012	222,604	46,202	-
2013	234,647	33,833	-
2014	247,342	20,796	-
2015	260,724	7,053	-
Total	\$ 1,918,252	\$ 503,338	\$ 120,000

Note: Any imputed interest on this note is not material to the financial statements.

	Amount Outstanding	Due Within One Year
General Fund:		
Lease Revenue Bonds:		
\$8,385,000 IDA Lease Revenue Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semi-annually at 3.67%	\$ 8,121,388	\$ 313,418

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Fund: (Continued)		
<u>County General Obligation Bonds:</u>		
\$2,000,000 General Obligation Bonds Series 2003 issued December 19, 2003 maturing semi-annually through January 15, 2024, interest payable semi-annually at 3.91%	\$ 1,867,442	\$ 73,165
\$1,500,000 General Obligation Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semiannually at 3.74%	<u>1,453,352</u>	<u>55,712</u>
Total County general obligation bonds	<u>\$ 3,320,794</u>	<u>\$ 128,877</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 10,633,250	\$ 603,476
\$12,000,000 Virginia Public School Authority Bonds 1994SA, issued April 1, 1994, to refund 1989B and 1990A maturing annually through December 15, 2009, interest payable semi-annually at rates from 7.000% to 7.225%	2,285,000	560,000
\$1,500,000 Virginia Public School Authority Bonds 1991A, issued May 1, 1991, maturing annually through December 15, 2010, interest payable semi-annually at rates from 6.1% to 8.1%	395,000	75,000
\$2,069,507 Virginia Public School Authority Bonds 1991B, issued July 1, 1991, maturing annually through July 15, 2011, interest payable semi-annually at rates from 4.85% to 6.60%	698,091	109,955

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Fund: (Continued)	Amount Outstanding	Due Within One Year
<u>School General Obligation Bonds: (Continued)</u>		
\$54,200,000 Public Facility Lease Revenue Bonds, Series 2005, issued September 28, 2005 payable in various annual installments through January 1, 2033, interest 4.35%	\$ 54,200,000	\$ -
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	1,485,000	135,000
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	3,300,000	300,000
\$8,325,000 Series 2000, issued August 10, 2000, maturing annually in various annual installments through January 15, 2014, interest payable semi-annually at 5.33%	3,005,000	315,000
\$4,613,000 General Obligation Refunding Bond, Series 2003 dated August 6, 2003, principal payable annually in various incremental amounts through January 15, 2021, interest payable semiannually at 7.35%	4,512,000	44,000
Premium on bonds	968,881	34,603
Less deferred amount on refunding bonds	(524,611)	(46,120)
Total school general obligation bonds	\$ 80,957,611	\$ 2,130,914
\$7,500,000 revenue note, series 2005 issued September 15, 2005 payable on January 1, 2009, interest payable semi-annually on January 15 and July 15 at 3.69%	7,500,000	-
Compensated absences	\$ 1,264,430	\$ 126,443
Net long-term obligations	\$ 101,164,223	\$ 2,699,652

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Enterprise Funds:		
Airport Revenue Bond:		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semiannually at 5.41%	\$ 1,918,252	\$ 171,051
 \$150,000 note payable issued October 7, 2004, payable in annual principal installments of \$30,000 through October 1, 2009	 120,000	 30,000
Compensated absences	31,418	3,140
Landfill postclosure costs	<u>653,531</u>	<u>-</u>
Total enterprise obligations	\$ <u>2,723,201</u>	\$ <u>204,191</u>
 Total reporting entity	 \$ <u>103,887,424</u>	 \$ <u>2,903,843</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ending June 30, 2006.

	<u>Amounts Payable July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 651,753	\$ 84,632	\$ 5,066	\$ 731,319	\$ 73,132
Capital lease	<u>1,099,389</u>	<u>771,772</u>	<u>379,337</u>	<u>1,491,824</u>	<u>436,724</u>
Total	\$ <u>1,751,142</u>	\$ <u>856,404</u>	\$ <u>384,403</u>	\$ <u>2,223,143</u>	\$ <u>509,856</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 7—Long-Term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Capital Lease	
	Principal	Interest
2007	\$ 436,724	\$ 38,924
2008	449,484	26,164
2009	384,310	13,946
2010	201,798	5,098
2011	55,508	395
Total	\$ 1,527,824	\$ 84,527

Details of long-term obligations are as follows:

	Amount Outstanding
<u>Capital Leases:</u>	
\$711,153 capital lease for school buses payable in monthly installments of \$12,599 through September 26, 2008. Interest payable at 2.43%	\$ 330,719
\$730,562 capital lease for school buses payable in monthly installments of \$13,062 through September 14, 2009. Interest payable 2.80%	486,400
\$771,772 capital lease for school buses payable in monthly installments of \$13,976 through October 1, 2010, interest at 3.41%	<u>674,705</u>
Total Capital Leases	\$ 1,491,824
Compensated absences	<u>731,319</u>
Total long-term obligations	<u>\$ 2,223,143</u>

Note 8—Landfill Closure and Postclosure Care Cost:

The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 8—Landfill Closure and Postclosure Care Cost: (Continued)

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$653,531 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

The County has demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 9—Commitments and Contingencies:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 10—Defined Benefit Pension Plan:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 10—Defined Benefit Pension Plan: (Continued)

A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2006 were 7.50% and 3.00% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$1,988,907, \$1,672,604 and \$966,670 to the teacher cost-sharing pool for the fiscal years ended June 30, 2005, 2004 and 2003 respectively and these contributions represented 6.62%, 3.77% and 3.77% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal 2006, the County's annual pension cost of \$953,403 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2006, the School Board's annual pension cost for the non-professional employees was \$85,638 which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

	County	Non-Professional School Board
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 Years	21 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	7.5%	7.5%
Projected salary increases: ¹		
Non LEO Employees	3.5% to 5.73%	3.5% to 5.73%
LEO Employees	3.5% to 4.71%	3.5% to 5.73%
Cost-of-living adjustments	2.5%	2.5%

¹ Includes inflation at 2.5%

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 10—Defined Benefit Pension Plan: (Continued)

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2006	\$ 953,403	100%	\$ -
June 30, 2005	855,349	100%	-
June 30, 2004	429,550	100%	-
School Board:			
Non-professional:			
June 30, 2006	\$ 85,638	100%	\$ -
June 30, 2005	61,915	100%	-
June 30, 2004	18,764	100%	-

(1) Employer portion only

Note 11—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 12—Litigation:

At June 30, 2006, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 13—Expenditures and Appropriations:

The following departments had expenditures which exceeded appropriations at June 30, 2006:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Social Services:			
Wheels for work	\$ 52,177	\$ 21,690	\$ 30,487
WIA - PIC	451,689	239,081	212,608
Cosmetology Center	234,650	187,611	47,039
HeadStart	1,071,209	987,360	83,849
Piedmont Technology	415,818	349,288	66,530

Note 14—Interfund Obligations/Transfers:

Interfund obligations at June 30, 2006, consisted of the following:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
General Fund	\$ 2,457,808	\$ -
Airport Fund	-	457,808
Water and Sewre Authority	-	2,000,000
Total	<u>\$ 2,457,808</u>	<u>\$ 2,457,808</u>

The purpose of interfund balances is to cover cash overdrafts at year-end.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 3,981,313
Landfill Fund	1,253,215	-
Water & Sewer Fund	335,807	-
County Capital Improvements Fund	2,102,435	-
Airport Fund	289,856	-
Total	<u>\$ 3,981,313</u>	<u>\$ 3,981,313</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 15—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Patricia Payne, Clerk of the Circuit Court	\$ 25,000
David L. DeJarnette, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
H. Lee Hart, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Calvin Coleman, Director of the Department of Social Services	
James C. Lee, Supervisor	100,000
William C. Chase, Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Steven E. Nixon, Supervisor	1,000
John F. Coates, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000

Note 16—Restatement of Net Assets:

Net assets at June 30, 2005 for the following funds were restated as follows:

	<u>Governmental Activities</u>
Net assets June 30, 2005, as previously reported	\$ 40,018,672
Adjustment for Joint Tenancy Assets	<u>624,000</u>
Net assets, as restated	<u><u>\$ 40,642,672</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 41,228,163	\$ 41,228,163	\$ 36,264,828	\$ (4,963,335)
Other local taxes	9,130,000	9,130,000	11,101,087	1,971,087
Permits, privilege fees and regulatory licenses	1,247,650	1,262,903	2,161,763	898,860
Fines and forfeitures	90,000	90,000	60,453	(29,547)
Revenue from use of money and property	468,020	468,020	1,627,157	1,159,137
Charges for services	1,347,832	1,360,551	1,811,526	450,975
Miscellaneous	158,195	190,589	521,529	330,940
Recovered costs	92,188	92,188	96,416	4,228
Intergovernmental:				
Commonwealth	9,817,996	10,556,393	10,336,751	(219,642)
Federal	2,065,225	2,931,728	5,965,813	3,034,085
Total revenues	\$ 65,645,269	\$ 67,310,535	\$ 69,947,323	\$ 2,636,788
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 209,413	\$ 259,137	\$ 259,137	\$ -
General and financial administration:				
County administration	\$ 272,290	\$ 289,730	\$ 289,727	\$ 3
County attorney	228,334	215,824	215,824	-
Human resources	177,202	192,817	174,703	18,114
Procurement	90,850	99,779	99,779	-
Auditor	46,750	39,850	39,850	-
Commissioner of the Revenue	442,329	387,979	387,979	-
Reassessment	568,960	669,740	477,378	192,362
Treasurer	467,852	467,852	422,013	45,839
Department of finance and budget	349,319	334,844	334,842	2
Information systems	546,779	527,665	453,115	74,550
Risk management	85,534	92,150	92,150	-
Other general and financial administration	15,003	15,010	15,003	7
Total general and financial administration	\$ 3,291,202	\$ 3,333,240	\$ 3,002,363	\$ 330,877
Board of Elections:				
Electoral board and officials	\$ 53,201	\$ 64,200	\$ 60,692	\$ 3,508
Registrar	122,703	122,703	109,743	12,960
Total board of elections	\$ 175,904	\$ 186,903	\$ 170,435	\$ 16,468
Total general government administration	\$ 3,676,519	\$ 3,779,280	\$ 3,431,935	\$ 347,345

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2006 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures:				
Judicial administration:				
Courts:				
Circuit court	\$ 77,016	\$ 88,707	\$ 68,894	\$ 19,813
Special magistrates	2,300	2,400	2,400	-
Clerk of the circuit court	562,231	578,444	522,987	55,457
Law library	19,308	40,383	30,984	9,399
Victim assistance program	81,117	81,117	80,757	360
Combined court	30,488	30,488	19,494	10,994
Sheriff	541,640	560,640	541,856	18,784
Commissioner of accounts	850	850	791	59
Total courts	\$ 1,314,950	\$ 1,383,029	\$ 1,268,163	\$ 114,866
Commonwealth's attorney:				
Commonwealth's attorney	\$ 816,487	\$ 816,487	\$ 806,197	\$ 10,290
Total judicial administration	\$ 2,131,437	\$ 2,199,516	\$ 2,074,360	\$ 125,156
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,756,923	\$ 4,376,368	\$ 4,052,362	\$ 324,006
Other law enforcement and traffic control	367,860	628,482	413,459	215,023
E-911	1,662,994	1,584,442	1,570,355	14,087
Total law enforcement and traffic control	\$ 5,787,777	\$ 6,589,292	\$ 6,036,176	\$ 553,116
Fire and rescue services:				
Fire and rescue	\$ 1,357,259	\$ 1,376,693	\$ 1,376,693	-
EMS council	13,780	13,080	13,080	-
State forest fire extinction	5,282	5,282	5,281	1
Total fire and rescue services	\$ 1,376,321	\$ 1,395,055	\$ 1,395,054	\$ 1
Correction and detention:				
Sheriff	\$ 2,290,060	\$ 2,351,856	\$ 2,188,379	\$ 163,477
Outside jail services	150,000	128,000	124,145	3,855
Probation office	231,550	291,550	261,825	29,725
Total correction and detention	\$ 2,671,610	\$ 2,771,406	\$ 2,574,349	\$ 197,057
Inspections:				
Building	\$ 967,806	\$ 1,133,619	\$ 1,053,381	\$ 80,238

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2006 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Other protection:				
Animal control	\$ 522,810	\$ 547,837	\$ 511,705	\$ 36,132
Medical examiner	1,500	1,500	1,150	350
Emergency services	688,299	828,318	655,106	173,212
Total other protection	\$ 1,212,609	\$ 1,377,655	\$ 1,167,961	\$ 209,694
Total public safety	\$ 12,016,123	\$ 13,267,027	\$ 12,226,921	\$ 1,040,106
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,148,634	\$ 1,324,647	\$ 1,011,376	\$ 313,271
Total public works	\$ 1,148,634	\$ 1,324,647	\$ 1,011,376	\$ 313,271
Health and welfare:				
Health:				
Local health department	\$ 341,359	\$ 346,066	\$ 346,066	\$ -
Mental health and mental retardation:				
Community services	\$ 473,893	\$ 487,980	\$ 487,980	\$ -
Welfare:				
Community youth services	\$ 1,375,200	\$ 1,656,563	\$ 1,656,562	\$ 1
Options	146,790	149,898	137,446	12,452
Social services administration	3,814,422	4,143,517	3,407,242	736,275
Medication access program	55,985	55,985	33,072	22,913
Social services public assistance	1,150,690	1,908,910	1,777,393	131,517
Wheels for work	21,690	21,690	52,177	(30,487)
Career resource center	20,131	20,131	1,690	18,441
WIA-PIC	146,937	239,081	451,689	(212,608)
Cosmetology center	187,611	187,611	234,650	(47,039)
Daycare	1,571,371	2,120,000	1,964,494	155,506
Families first	431,728	435,249	383,367	51,882
Headstart	1,059,895	987,360	1,071,209	(83,849)
Miscellaneous grants	11,080	11,080	406	10,674
Total welfare	\$ 9,993,530	\$ 11,937,075	\$ 11,171,397	\$ 765,678
Total health and welfare	\$ 10,808,782	\$ 12,771,121	\$ 12,005,443	\$ 765,678
Education:				
Contributions to community colleges	\$ 7,608	\$ 7,608	\$ 7,608	\$ -
Contributions to Piedmont Tech	349,288	349,288	415,818	(66,530)
Contributions to School Board Component Unit	24,255,767	24,255,767	23,717,933	537,834
Total education	\$ 24,612,663	\$ 24,612,663	\$ 24,141,359	\$ 471,304

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2006 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 482,424	\$ 507,051	\$ 430,087	\$ 76,964
Community complex	213,871	213,871	154,201	59,670
Total parks and recreation	\$ 696,295	\$ 720,922	\$ 584,288	\$ 136,634
Library:				
Library	\$ 811,501	\$ 846,676	\$ 828,747	\$ 17,929
Total parks, recreation and cultural	\$ 1,507,796	\$ 1,567,598	\$ 1,413,035	\$ 154,563
Community development:				
Planning and community development:				
Planning	\$ 600,133	\$ 671,983	\$ 610,566	\$ 61,417
Chamber of commerce	10,000	10,000	10,000	-
Zoning board	5,344	5,344	2,192	3,152
Economic development	338,103	550,728	502,469	48,259
Total planning and community development	\$ 953,580	\$ 1,238,055	\$ 1,125,227	\$ 112,828
Environmental management:				
Soil and water conservation district	\$ 47,921	\$ 47,921	\$ 47,921	\$ -
Cooperative extension program:				
VPI extension	\$ 141,961	\$ 143,961	\$ 112,307	\$ 31,654
Total community development	\$ 1,143,462	\$ 1,429,937	\$ 1,285,455	\$ 144,482
Debt service:				
Principal retirement	\$ 2,298,937	\$ 2,343,467	\$ 2,340,953	\$ 2,514
Interest and fiscal charges	3,681,972	4,409,867	2,473,840	1,936,027
Total debt service	\$ 5,980,909	\$ 6,753,334	\$ 4,814,793	\$ 1,938,541
Total expenditures	\$ 63,026,325	\$ 67,705,123	\$ 62,404,677	\$ 5,300,446
Excess (deficiency) of revenues over expenditures	\$ 2,618,944	\$ (394,588)	\$ 7,542,646	\$ 7,937,234
Other financing sources (uses):				
Transfers (out)	\$ (6,612,847)	\$ (6,298,066)	\$ (3,981,313)	\$ 2,316,753
Total other financing sources (uses)	\$ (6,612,847)	\$ (6,298,066)	\$ (3,981,313)	\$ 2,316,753
Changes in fund balances	\$ (3,993,903)	\$ (6,692,654)	\$ 3,561,333	\$ 10,253,987
Fund balances at beginning of year	3,993,903	6,692,654	33,378,405	26,685,751
Fund balances at end of year	\$ -	\$ -	\$ 36,939,738	\$ 36,939,738

Schedule of Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2005	\$ 20,562,412	\$ 23,005,450	\$ 2,443,038	89.38%	\$ 11,582,928	21.09%
6/30/2004	19,206,873	21,021,814	1,814,941	91.37%	10,886,225	16.67%
6/30/2003	18,285,402	18,581,571	296,169	98.41%	9,109,502	3.25%

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2005	\$ 5,260,417	\$ 5,839,373	\$ 578,956	90.09%	\$ 2,065,908	28.02%
6/30/2004	5,083,955	5,016,876	(67,079)	101.34%	1,876,611	-3.57%
6/30/2003	4,966,916	4,597,655	(369,261)	108.03%	1,753,909	-21.05%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Capital Projects Fund
 Year Ended June 30, 2006

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 116,794	\$ 116,794
Miscellaneous	-	-	45,335	45,335
Intergovernmental:				
School Board Contribution to Primary Government	-	931,966	931,966	-
Commonwealth	797,400	797,400	-	(797,400)
Federal	-	-	25,000	25,000
Total revenues	<u>\$ 797,400</u>	<u>\$ 1,729,366</u>	<u>\$ 1,119,095</u>	<u>\$ (610,271)</u>
Expenditures:				
Current:				
General government administration	\$ 100,000	\$ 474,642	\$ 136,435	\$ 338,207
Public safety	-	2,213,111	2,199,212	13,899
Public works	2,602,435	4,079,503	1,783,209	2,296,294
Education:				
Contributions to School Board Component Unit	-	62,668,881	62,668,881	-
Parks & recreation	197,400	989,488	437,306	552,182
Community development	-	929,055		929,055
Debt service:				
Interest and other fiscal charges	-	931,966	931,966	-
Total expenditures	<u>\$ 2,899,835</u>	<u>\$ 72,286,646</u>	<u>\$ 68,157,009</u>	<u>\$ 4,129,637</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,102,435)</u>	<u>\$ (70,557,280)</u>	<u>\$ (67,037,914)</u>	<u>\$ 3,519,366</u>
Other financing sources (uses):				
Issuance of debt	\$ -	\$ 61,700,000	\$ 61,700,000	\$ -
Premium on bonds issued	-	968,881	968,881	-
Transfers in	2,102,435	2,102,435	2,102,435	-
Total other financing sources (uses)	<u>\$ 2,102,435</u>	<u>\$ 64,771,316</u>	<u>\$ 64,771,316</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (5,785,964)	\$ (2,266,598)	\$ 3,519,366
Fund balances at beginning of year	-	5,785,964	3,209,396	(2,576,568)
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 942,798</u>	<u>\$ 942,798</u>

Combining Schedule of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2006

	Special Welfare Fund	Sheriff Commissory Fund	Piedmont Tech Fund	Thrift Store	Totals
Assets:					
Cash and cash equivalents	\$ 83,998	\$ 11,408	\$ -	\$ 154,348	\$ 249,754
Accounts receivable	-	-	12,747	-	12,747
 Total assets	 \$ 83,998	 \$ 11,408	 \$ 12,747	 \$ 154,348	 \$ 262,501
 Liabilities:					
Amounts held for others	\$ -	\$ -	\$ 12,747	\$ 154,348	\$ 167,095
Amounts held for inmates	-	11,408	-	-	11,408
Amounts held for social service clients	83,998	-	-	-	83,998
 Total liabilities	 \$ 83,998	 \$ 11,408	 \$ 12,747	 \$ 154,348	 \$ 262,501

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2006

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash	\$ 54,441	\$ 152,549	\$ 122,992	\$ 83,998
Liabilities:				
Amounts held for social service clients	\$ 54,441	\$ 152,549	\$ 122,992	\$ 83,998
Sheriff Commissary Fund:				
Assets:				
Cash	\$ 10,814	\$ 129,306	\$ 128,712	\$ 11,408
Liabilities:				
Amounts held for inmates	\$ 10,814	\$ 129,306	\$ 128,712	\$ 11,408
Piedmont Tech Fund:				
Assets:				
Cash	\$ -	\$ 429,415	\$ 429,415	\$ -
Accounts receivable	25,124	12,747	25,124	12,747
Total assets	\$ 25,124	\$ 442,162	\$ 454,539	\$ 12,747
Liabilities:				
Amounts held for others	\$ 25,124	\$ 442,162	\$ 454,539	\$ 12,747
Total liabilities	\$ 25,124	\$ 442,162	\$ 454,539	\$ 12,747
Thrift Store:				
Assets:				
Cash	\$ 133,276	\$ 231,409	\$ 210,337	\$ 154,348
Liabilities:				
Amounts held for others	\$ 133,276	\$ 231,409	\$ 210,337	\$ 154,348
Totals -- All agency funds				
Assets:				
Cash	\$ 198,531	\$ 942,679	\$ 891,456	\$ 249,754
Accounts receivable	25,124	12,747	25,124	12,747
Total assets	\$ 223,655	\$ 955,426	\$ 916,580	\$ 262,501
Liabilities:				
Amounts held for social service clients	\$ 54,441	\$ 152,549	\$ 122,992	\$ 83,998
Amounts held for inmates	10,814	129,306	128,712	11,408
Amounts held for others	158,400	673,571	664,876	167,095
Total liabilities	\$ 223,655	\$ 955,426	\$ 916,580	\$ 262,501

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Discretely Presented Component Unit-School Board

Combining Balance Sheet

Governmental Funds - Discretely Presented Component Unit -- School Board

At June 30, 2006

	Governmental Funds			
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 21,121	\$ 1,173,775	\$ 54,968,225	\$ 56,163,121
Receivables (net of allowances for uncollectibles):				
Due from other governmental units	1,504,097	-	-	1,504,097
Due from primary government	4,596,488	-	-	4,596,488
Total assets and other debits	\$ 6,121,706	\$ 1,173,775	\$ 54,968,225	\$ 62,263,706
LIABILITIES				
Accounts payable	\$ 345,553	\$ -	\$ 317,565	\$ 663,118
Deferred revenue	88,230	-	-	88,230
Accrued liabilities	5,687,923	153,813	-	5,841,736
Total liabilities	\$ 6,121,706	\$ 153,813	\$ 317,565	\$ 6,593,084
FUND BALANCES				
Unreserved:				
Designated for subsequent expenditures	\$ -	\$ 1,019,962	\$ -	\$ 1,019,962
Designated for capital projects	-	-	54,650,660	54,650,660
Total fund balances	\$ -	\$ 1,019,962	\$ 54,650,660	\$ 55,670,622
Total liabilities and fund balances	\$ 6,121,706	\$ 1,173,775	\$ 54,968,225	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

22,922,295

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net assets.

(2,223,143)

Net assets of General Government Activities

\$ 76,369,774

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --
 Governmental Funds - Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2006

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 47,658	\$ 32,776	\$ 1,651,326	\$ 1,731,760
Charges for services	12,225	1,630,913	-	1,643,138
Miscellaneous	10,830	46,124	-	56,954
Recovered costs	823,863	-	-	823,863
Intergovernmental:				
County contribution to School Board	22,977,933	-	63,408,881	86,386,814
Commonwealth	29,611,754	29,430	217,406	29,858,590
Federal	2,896,824	897,800	-	3,794,624
Total revenues	\$ 56,381,087	\$ 2,637,043	\$ 65,277,613	\$ 124,295,743
Expenditures:				
Current:				
Education	\$ 55,960,713	\$ 2,424,376	\$ -	\$ 58,385,089
Capital projects	-	-	8,555,415	8,555,415
Contribution to primary government	-	-	931,966	931,966
Debt service:				
Principal retirement	379,337	-	-	379,337
Interest and other fiscal charges	41,037	-	180,784	221,821
Total expenditures	\$ 56,381,087	\$ 2,424,376	\$ 9,668,165	\$ 68,473,628
Excess (deficiency) of revenues over expenditures	\$ -	\$ 212,667	\$ 55,609,448	\$ 55,822,115
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ 771,772	\$ 771,772
Total other financing sources (uses)	\$ -	\$ -	\$ 771,772	\$ 771,772
Changes in fund balances	\$ -	\$ 212,667	\$ 56,381,220	\$ 56,593,887
Fund balances at beginning of year	-	807,295	(1,730,560)	(923,265)
Fund balances at end of year	\$ -	\$ 1,019,962	\$ 54,650,660	\$ 55,670,622

COUNTY OF CULPEPER, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --

Governmental Funds - Budget and Actual -- Discretely Presented Component Unit -- School Board

Year Ended June 30, 2006

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 47,658	\$ 47,658
Charges for services	-	-	12,225	12,225
Miscellaneous	200,000	200,000	10,830	(189,170)
Recovered costs	-	-	823,863	823,863
Intergovernmental:				
County contribution to School Board	23,515,767	23,515,767	22,977,933	(537,834)
Commonwealth	29,565,469	29,912,547	29,611,754	(300,793)
Federal	2,948,370	2,948,370	2,896,824	(51,546)
Total revenues	\$ 56,229,606	\$ 56,576,684	\$ 56,381,087	\$ (195,597)
Expenditures:				
Current:				
Education:				
Instruction	\$ 44,616,431	\$ 44,758,634	\$ 44,463,597	\$ 295,037
Administration, attendance and health	2,799,015	2,596,373	2,529,910	66,463
Pupil transportation	2,818,566	3,173,504	2,979,268	194,236
Operation and maintenance of school plant	6,008,627	6,048,173	5,987,938	60,235
School food service	-	-	-	-
Total education	\$ 56,242,639	\$ 56,576,684	\$ 55,960,713	\$ 615,971
Capital Projects	-	-	-	-
Contribution to primary government	-	-	-	-
Debt service:				
Principal retirement	-	-	379,337	(379,337)
Interest and other fiscal charges	-	-	41,037	(41,037)
Total expenditures	\$ 56,242,639	\$ 56,576,684	\$ 56,381,087	\$ 195,597
Excess (deficiency) of revenues over expenditures	\$ (13,033)	\$ -	\$ -	\$ -
Other financing sources:				
Issuance of debt	\$ -	\$ -	\$ -	\$ -
Total other financing sources	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ (13,033)	\$ -	\$ -	\$ -
Fund balances at beginning of year	13,033	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Projects Fund			
Final Budget	Amended	Actual	Variance From Final Budget Positive (Negative)	Budget	Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 32,776	\$ 32,776	\$ -	\$ -	\$ 1,651,326	\$ 1,651,326
1,752,545	1,752,545	1,630,913	(121,632)	-	-	-	-
-	-	46,124	46,124	-	-	-	-
-	-	-	-	740,000	49,310,965	63,408,881	14,097,916
27,922	27,922	29,430	1,508	-	-	217,406	217,406
790,000	790,000	897,800	107,800	-	-	-	-
<u>\$ 2,570,467</u>	<u>\$ 2,570,467</u>	<u>\$ 2,637,043</u>	<u>\$ 66,576</u>	<u>\$ 740,000</u>	<u>\$ 49,310,965</u>	<u>\$ 65,277,613</u>	<u>\$ 15,966,648</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,570,467	2,570,467	2,424,376	146,091	-	-	-	-
<u>\$ 2,570,467</u>	<u>\$ 2,570,467</u>	<u>\$ 2,424,376</u>	<u>\$ 146,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	740,000	51,707,555	8,555,415	43,152,140
-	-	-	-	-	931,966	931,966	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	180,784	(180,784)
<u>\$ 2,570,467</u>	<u>\$ 2,570,467</u>	<u>\$ 2,424,376</u>	<u>\$ 146,091</u>	<u>\$ 740,000</u>	<u>\$ 52,639,521</u>	<u>\$ 9,668,165</u>	<u>\$ 42,971,356</u>
\$ -	\$ -	\$ 212,667	\$ 212,667	\$ -	\$ (3,328,556)	\$ 55,609,448	\$ 58,938,004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 771,772	\$ 771,772	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 771,772	\$ 771,772	\$ -
\$ -	\$ -	\$ 212,667	\$ 212,667	\$ -	\$ (2,556,784)	\$ 56,381,220	\$ 58,938,004
-	-	807,295	807,295	-	2,556,784	(1,730,560)	(4,287,344)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019,962</u>	<u>\$ 1,019,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,650,660</u>	<u>\$ 54,650,660</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 56,593,887
---	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital

Net change in fund balances - total governmental funds		
Capital asset additions	\$ 9,872,808	
Joint tenancy assets transferred to Primary Government	(10,173,291)	
Depreciation expense	<u>(1,934,304)</u>	(2,234,787)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave.	(79,566)
--	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:

Principal retired on capital lease obligations	\$ 379,337	
Issuance of capital lease	<u>(771,772)</u>	(392,435)

Transfer of joint tenancy assets from Primary Government to the Component Unit	<u>1,035,610</u>
--	------------------

Change in net assets of governmental activities	\$ <u><u>54,922,709</u></u>
---	-----------------------------

Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2006

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 26,565,385	\$ 26,565,385	\$ 27,098,086	\$ 532,701
Real and personal public service corporation property taxes	938,425	938,425	755,735	(182,690)
Personal property taxes	11,995,012	11,995,012	6,577,655	(5,417,357)
Mobile home taxes	44,598	44,598	40,846	(3,752)
Machinery and tools taxes	1,289,743	1,289,743	1,239,291	(50,452)
Penalties	270,000	270,000	384,225	114,225
Interest	125,000	125,000	168,990	43,990
Total general property taxes	\$ 41,228,163	\$ 41,228,163	\$ 36,264,828	\$ (4,963,335)
Other local taxes:				
Local sales and use taxes	\$ 5,000,000	5,000,000	\$ 5,525,376	\$ 525,376
Transient occupancy tax	16,000	16,000	16,389	389
Consumer utility taxes	1,726,000	1,726,000	2,005,108	279,108
Franchise license taxes	90,000	90,000	109,506	19,506
Motor vehicle licenses	700,000	700,000	737,060	37,060
Taxes on recordation and wills	800,000	800,000	1,866,077	1,066,077
E-911 Taxes	798,000	798,000	841,571	43,571
Total other local taxes	\$ 9,130,000	\$ 9,130,000	\$ 11,101,087	\$ 1,971,087
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 11,700	\$ 11,700	\$ 10,726	\$ (974)
Building and related permits	1,041,200	1,056,453	1,343,026	286,573
Other permits and licenses	194,750	194,750	808,011	613,261
Total permits, privilege fees and regulatory licenses	\$ 1,247,650	\$ 1,262,903	\$ 2,161,763	\$ 898,860
Fines and Forfeitures:				
Court fines and forfeitures	\$ 90,000	\$ 90,000	\$ 60,453	\$ (29,547)
Revenue from use of money and property:				
Revenue from use of money	\$ 250,000	\$ 250,000	\$ 1,456,260	\$ 1,206,260
Revenue from use of property	218,020	218,020	170,897	(47,123)
Total revenue from use of money and property	\$ 468,020	\$ 468,020	\$ 1,627,157	\$ 1,159,137

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 125,000	\$ 125,000	\$ 310,798	\$ 185,798
Charges for Commonwealth's attorney	1,300	1,300	1,388	88
Charges for parks and recreation	109,115	109,115	99,135	(9,980)
Charges for law enforcement and traffic control	11,000	11,000	21,789	10,789
Charges for courthouse maintenance fees	14,000	14,000	16,142	2,142
Charges for courthouse and courtroom security fees	\$ 37,500	\$ 37,500	\$ 45,839	\$ 8,339
Charges for other protection	45,000	44,500	44,481	(19)
Charges for library	28,500	41,719	56,484	14,765
Charges for planning and community development	16,199	16,199	2,638	(13,561)
Charges for law library	11,000	11,000	13,518	2,518
Cosmetology fees	187,611	187,611	171,247	(16,364)
Charges for daycare	761,607	761,607	1,028,067	266,460
Total charges for services	\$ 1,347,832	\$ 1,360,551	\$ 1,811,526	\$ 450,975
Miscellaneous revenue:				
Miscellaneous	\$ 158,195	\$ 190,589	\$ 424,251	\$ 233,662
Insurance recoveries	-	-	97,278	97,278
Total miscellaneous revenue	\$ 158,195	\$ 190,589	\$ 521,529	\$ 330,940
Recovered costs:				
Wheels for work	\$ 21,690	\$ 21,690	\$ 22,238	\$ 548
Town of Culpeper E-911	52,976	52,976	52,976	-
Payments from localities	17,522	17,522	21,202	3,680
Total recovered costs	\$ 92,188	\$ 92,188	\$ 96,416	\$ 4,228
Total revenue from local sources	\$ 53,762,048	\$ 53,822,414	\$ 53,644,759	\$ (177,655)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 14,000	\$ 14,000	\$ 14,420	\$ 420
Wine taxes	21,500	21,500	15,115	(6,385)
Motor vehicle carriers' tax	32,500	32,500	31,658	(842)
Recordation tax	250,000	250,000	309,724	59,724
Mobile home titling taxes	10,000	10,000	12,822	2,822
PPTRA	-	-	3,539,004	3,539,004
Auto rental tax	5,000	5,000	56,425	51,425
Total noncategorical aid	\$ 333,000	\$ 333,000	\$ 3,979,168	\$ 3,646,168

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 294,701	\$ 294,701	\$ 301,604	\$ 6,903
Sheriff	2,322,415	2,329,935	2,386,311	56,376
Commissioner of the Revenue	106,684	106,684	108,771	2,087
Treasurer	111,095	111,095	108,035	(3,060)
Medical examiner	900	900	720	(180)
Registrar/electoral board	43,488	54,487	50,515	(3,972)
Clerk of the Circuit Court	252,883	252,883	276,872	23,989
Combined Court	6,750	6,750	7,057	307
Total shared expenses	\$ 3,138,916	\$ 3,157,435	\$ 3,239,885	\$ 82,450
Other categorical aid:				
Welfare administration and assistance	\$ 4,058,864	\$ 4,425,688	\$ 975,296	\$ (3,450,392)
Local jail	283,370	283,370	248,334	(35,036)
Abandoned vehicle program	5,000	5,000	11,050	6,050
Fire service program	50,000	50,000	55,729	5,729
Families first grant	431,728	435,249	291,909	(143,340)
Options	20,000	23,108	22,458	(650)
Library aid	157,752	157,752	157,752	-
Community youth services grant	836,081	999,311	806,917	(192,394)
Juvenile and domestic relations	72,394	72,394	72,394	-
Criminal justice services	214,406	214,406	220,619	6,213
School resource officer grant	29,210	29,210	-	(29,210)
Crime victim assistance	67,860	67,860	13,404	(54,456)
Virginia tobacco settlement fund	60,120	54,760	52,361	(2,399)
Governor's opportunity fund	-	150,000	150,000	-
Other categorical aid	59,295	97,850	39,475	(58,375)
Total other categorical aid	\$ 6,346,080	\$ 7,065,958	\$ 3,117,698	\$ (3,948,260)
Total categorical aid	\$ 9,484,996	\$ 10,223,393	\$ 6,357,583	\$ (3,865,810)
Total revenue from the Commonwealth	\$ 9,817,996	\$ 10,556,393	\$ 10,336,751	\$ (219,642)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 808,393	\$ 1,652,214	\$ 4,226,649	\$ 2,574,435
Adult services grant	146,937	239,081	408,857	169,776
School resource officer grant	-	-	29,210	29,210
VSTOP grant	-	-	36,076	36,076
Emergency services	-	-	77,862	77,862
Help America vote act grant	-	-	10,999	10,999
Victim witness grant	-	-	56,320	56,320
Categorical aid:				
USDA grant funds	-	4,989	77,237	72,248
Headstart	1,059,895	976,066	976,066	-
Law enforcement grant	-	9,378	10,528	1,150
Universal hiring grant	50,000	50,000	46,000	(4,000)
DMV selective enforcement grant	-	-	10,009	10,009
Total revenue from the federal government	\$ 2,065,225	\$ 2,931,728	\$ 5,965,813	\$ 3,034,085
Total General Fund	\$ 65,645,269	\$ 67,310,535	\$ 69,947,323	\$ 2,636,788
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 101,754	\$ 101,754
Revenue from use of property	-	-	15,040	15,040
Total revenue from use of money and property	\$ -	\$ -	\$ 116,794	\$ 116,794
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 45,335	\$ 45,335
Total revenue from local sources	\$ -	\$ -	\$ 162,129	\$ 162,129
Intergovernmental revenue:				
School Board Contribution to Primary Government	\$ -	\$ 931,966	\$ 931,966	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VDOT & parks and recreation grant	\$ 797,400	\$ 797,400	\$ -	\$ (797,400)
Total revenue from the Commonwealth	\$ 797,400	\$ 797,400	\$ -	\$ (797,400)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Emergency services	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenue from the Federal government	\$ -	\$ -	\$ 25,000	\$ 25,000
Total Capital Projects Fund	\$ 797,400	\$ 1,729,366	\$ 1,119,095	\$ (610,271)
Grand Total Revenues -- Primary Government	\$ 66,442,669	\$ 69,039,901	\$ 71,066,418	\$ 2,026,517
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 47,658	\$ 47,658
Total revenue from use of money and property	\$ -	\$ -	\$ 47,658	\$ 47,658
Charges for services:				
Textbook sales	\$ -	\$ -	\$ 485	\$ 485
Tuition and fees	-	-	11,740	11,740
Total charges for services	\$ -	\$ -	\$ 12,225	\$ 12,225
Miscellaneous revenue:				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 10,830	\$ (189,170)
Total miscellaneous revenue	\$ 200,000	\$ 200,000	\$ 10,830	\$ (189,170)
Recovered costs:				
Gasoline - bus operations	\$ -	\$ -	\$ 823,863	\$ 823,863
Total revenue from local sources	\$ 200,000	\$ 200,000	\$ 894,576	\$ 694,576

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
Intergovernmental revenue:				
County contribution to School Board	\$ 23,515,767	\$ 23,515,767	\$ 22,977,933	\$ (537,834)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,575,169	\$ 5,575,169	\$ 5,768,659	\$ 193,490
Basic school aid	16,016,196	16,264,992	16,142,708	(122,284)
Special education-SOQ	1,772,260	1,772,260	1,802,883	30,623
Primary class size	338,503	338,503	367,880	29,377
Gifted and talented	156,255	156,255	158,955	2,700
Remedial education	324,846	324,846	330,459	5,613
Third grade remedial	110,917	110,917	71,634	(39,283)
Vocational education-SOQ	234,382	234,382	238,432	4,050
Educational technology	284,000	284,000	258,000	(26,000)
At - risk	231,441	231,441	245,604	14,163
Lottery	1,008,420	1,008,420	1,007,774	(646)
Textbook	259,548	259,548	264,032	4,484
Fringe benefits	1,668,329	1,668,329	1,693,182	24,853
Early reading intervention	44,225	44,225	47,384	3,159
School construction	181,374	181,374	181,116	(258)
Other categorical aid	1,359,604	1,457,886	1,033,052	(424,834)
Total categorical aid	\$ 29,565,469	\$ 29,912,547	\$ 29,611,754	\$ (300,793)
Total revenue from the Commonwealth	\$ 29,565,469	\$ 29,912,547	\$ 29,611,754	\$ (300,793)
Revenue from the federal government:				
Categorical aid:				
Chapter I	\$ 985,000	\$ 985,000	\$ 821,664	\$ (163,336)
Title II -- education for economic security	283,000	283,000	277,447	(5,553)
Drug free schools	31,317	31,317	23,971	(7,346)
Title VI - B	1,352,479	1,352,479	1,422,609	70,130
Preschool incentive	45,707	45,707	24,680	(21,027)
Title V	37,558	37,558	12,990	(24,568)
Vocational education	100,000	100,000	102,529	2,529
21st Century	-	-	139,918	139,918
Smaller learning communities	18,309	18,309	-	(18,309)
Miscellaneous federal grants	95,000	95,000	71,016	(23,984)
Total revenue from the federal government	\$ 2,948,370	\$ 2,948,370	\$ 2,896,824	\$ (51,546)
Total School Operating Fund	\$ 56,229,606	\$ 56,576,684	\$ 56,381,087	\$ (195,597)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 32,776	\$ 32,776
Charges for services:				
Cafeteria sales	1,752,545	1,752,545	1,630,913	(121,632)
Miscellaneous revenue:				
Miscellaneous	-	-	46,124	46,124
Total revenue from local sources	\$ 1,752,545	\$ 1,752,545	\$ 1,709,813	\$ (42,732)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 27,922	\$ 27,922	\$ 29,430	\$ 1,508
Total revenue from the Commonwealth	\$ 27,922	\$ 27,922	\$ 29,430	\$ 1,508
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 790,000	\$ 790,000	\$ 897,800	\$ 107,800
Total revenue from the federal government	\$ 790,000	\$ 790,000	\$ 897,800	\$ 107,800
Total School Cafeteria Fund	\$ 2,570,467	\$ 2,570,467	\$ 2,637,043	\$ 66,576
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,651,326	\$ 1,651,326
Revenue from the Commonwealth:				
Categorical aid:				
VPSA return of savings	\$ -	\$ -	\$ 217,406	\$ 217,406
Intergovernmental revenue:				
County contribution to School Board	\$ 740,000	\$ 740,000	\$ 740,000	\$ -
County contribution to School Board - debt service	-	48,570,965	62,668,881	14,097,916
Total County contribution to School Board	\$ 740,000	\$ 49,310,965	\$ 63,408,881	\$ 14,097,916
Total School Capital Projects Fund	\$ 740,000	\$ 49,310,965	\$ 65,277,613	\$ 15,966,648
Grand Total Revenues--Component Unit--School Board	\$ 59,540,073	\$ 108,458,116	\$ 124,295,743	\$ 15,837,627
Grand Total Revenues -- Reporting Entity	\$ 125,982,742	\$ 177,498,017	\$ 195,362,161	\$ 17,864,144

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Description	Table #
<i>Financial Trends</i>	
These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	
Net Assets by Component	1
Changes in Net Assets	2
Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)	3
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Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	6
<i>Revenue Capacity</i>	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	7
Property Tax Rates	8
Principal Taxpayers	9
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<i>Debt Capacity</i>	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
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<i>Demographic and Economic Information</i>	
These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	14
<i>Operating Information</i>	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	
Principal Employers	15
Full-time Equivalent County Government Employees by Function	16
Operating Indicators by Function	17

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

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Net Assets by Component
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 7,329,859	\$ 6,486,359	\$ 6,935,344	\$ 14,986,153	\$ 10,685,692
Restricted	5,103,876	4,419,784	5,558,267	285,663	291,256
Unrestricted	12,117,203	18,533,545	19,919,678	24,746,856	(16,216,855)
Total governmental activities net assets	<u>\$ 24,550,938</u>	<u>\$ 29,439,688</u>	<u>\$ 32,413,289</u>	<u>\$ 40,018,672</u>	<u>\$ (5,239,907)</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 7,781,918	\$ 9,112,272	\$ 11,934,526	\$ 13,272,556	\$ 16,010,805
Unrestricted	1,133,550	(64,870)	(82,002)	420,504	1,219,337
Total primary government expenses	<u>\$ 8,915,468</u>	<u>\$ 9,047,402</u>	<u>\$ 11,852,524</u>	<u>\$ 13,693,060</u>	<u>\$ (4,020,570)</u>
Primary government					
Invested in capital assets, net of related debt	\$ 15,111,777	\$ 15,598,631	\$ 18,869,870	\$ 28,258,709	\$ 26,696,497
Restricted	5,103,876	4,419,784	5,558,267	285,663	291,256
Unrestricted	13,250,753	18,468,675	19,837,676	25,167,360	(14,997,518)
Total primary government	<u>\$ 33,466,406</u>	<u>\$ 38,487,090</u>	<u>\$ 44,265,813</u>	<u>\$ 53,711,732</u>	<u>\$ 11,990,235</u>

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Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses:					
Governmental activities:					
General government administration	\$ 2,021,301	\$ 2,468,960	\$ 2,499,392	\$ 2,953,543	\$ 3,543,334
Judicial administration	1,589,341	1,629,071	1,740,818	1,969,364	2,069,759
Public safety	6,248,448	7,633,263	9,103,918	10,081,478	12,172,591
Public works	415,475	864,885	1,283,304	1,479,809	1,352,053
Health and welfare	7,196,456	8,278,682	10,142,768	10,379,264	11,967,563
Education	5,594,190	20,107,328	22,735,578	23,427,804	77,431,819
Parks, recreation, and cultural	1,048,520	1,069,204	1,095,318	1,100,173	1,262,842
Community development	818,280	895,279	956,662	1,120,188	1,329,556
Capital outlays	300,424	485,137	-	-	-
Nondepartmental	70,825	-	-	-	-
Interest and other fiscal charges	1,027,750	1,992,258	1,770,141	1,862,068	4,411,072
Total governmental activities expenses	\$ 26,331,010	\$ 45,424,067	\$ 51,327,899	\$ 54,373,691	\$ 115,540,589
Business-type activities:					
Landfill	1,845,751	1,984,407	2,646,458	2,782,599	3,275,796
Water and sewer	151,347	188,694	288,077	429,363	487,099
Airport	606,666	684,971	698,619	835,945	1,313,602
Water and sewer authority	-	-	-	563	8,157
Total business-type activities expenses	\$ 2,603,764	\$ 2,858,072	\$ 3,633,154	\$ 4,048,470	\$ 5,084,654
Total primary government expenses	\$ 28,934,774	\$ 48,282,139	\$ 54,961,053	\$ 58,422,161	\$ 120,625,243
Program revenues:					
Governmental activities:					
Charges for services:					
General government administration	\$ -	\$ 56,078	\$ 5,314	\$ -	\$ -
Judicial administration	75,230	167,192	435,977	443,567	402,299
Public safety	678,283	793,213	1,328,513	2,184,845	122,835
Public works	15,166	17,616	18,083	-	-
Health and welfare	659,403	771,698	880,732	1,085,833	1,199,314
Parks, recreation, and cultural	66,474	68,785	111,668	133,158	155,619
Community development	71,460	188,124	149,030	2,040	2,153,675
Operating grants and contributions:					
General government administration	316,878	246,005	241,638	472,252	278,320
Judicial administration	610,274	886,897	887,111	566,048	1,357,127
Public safety	2,972,100	2,649,665	2,795,970	3,551,388	2,951,304
Public works	-	26,494	6,593	-	-
Health and welfare	5,046,627	5,463,176	6,235,198	6,963,769	7,761,645
Parks, recreation, and cultural	138,661	125,966	132,616	151,407	-
Community development	5,000	5,000	5,000	45,182	-
Capital grants and contributions	2,630,620	96,202	4,850	-	1,282,500
Total governmental activities program revenues	\$ 13,286,176	\$ 11,562,111	\$ 13,238,293	\$ 15,599,489	\$ 17,664,638

Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Program revenues: (Continued)					
Business-type activities:					
Charges for services:					
Landfill	\$ 1,222,639	\$ 1,291,907	\$ 1,672,544	\$ 2,288,332	\$ 2,667,679
Water and sewer	43,460	27,967	165,484	99,073	131,796
Airport	499,981	454,852	425,059	537,790	618,393
Capital grants and contributions	1,933,446	980,844	3,809,913	496,474	3,244,989
Total business-type activities program revenues	\$ 3,699,526	\$ 2,755,570	\$ 6,073,000	\$ 3,421,669	\$ 6,662,857
Total primary government program revenues	\$ 16,985,702	\$ 14,317,681	\$ 19,311,293	\$ 19,021,158	\$ 24,327,495
Net (expense) / revenue					
Governmental activities	\$ (13,044,834)	\$ (33,861,956)	\$ (38,089,606)	\$ (38,774,202)	\$ (97,875,951)
Business-type activities	1,095,762	(102,502)	2,439,846	(626,801)	1,578,203
Total primary government net expense	\$ (11,949,072)	\$ (33,964,458)	\$ (35,649,760)	\$ (39,401,003)	\$ (96,297,748)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
General property taxes	\$ 22,684,654	\$ 24,428,142	\$ 29,451,312	\$ 32,650,412	\$ 36,481,179
Local sales and use taxes	3,659,581	3,830,741	4,671,523	5,426,631	5,525,376
Consumer utility taxes	1,270,679	1,548,822	1,780,313	1,771,697	2,005,108
E-911 taxes	453,131	564,149	818,349	807,345	841,571
Taxes on recordation and wills	368,118	504,444	729,478	1,602,899	1,866,077
Motor vehicle license taxes	503,264	660,875	692,057	710,746	737,060
Other local taxes	6,379	82,972	127,444	119,993	125,896
Unrestricted revenues from use of money and property	551,748	417,562	342,699	890,239	1,743,951
Miscellaneous	514,260	347,492	493,592	593,142	566,864
Grants and contributions not restricted to specific programs	2,803,975	3,385,516	3,454,276	3,493,550	3,979,168
Transfers	(731,622)	(210,667)	(1,229,716)	(1,687,068)	(1,878,878)
Total governmental activities	\$ 32,084,167	\$ 35,560,048	\$ 41,331,327	\$ 46,379,586	\$ 51,993,372
Business-type activities:					
Unrestricted revenues from use of money and property	\$ 101,266	\$ 23,769	\$ 8,565	\$ 21,465	\$ 80,001
Miscellaneous	-	-	-	84,976	-
Transfers	731,622	210,667	1,229,716	1,687,068	1,878,878
Total business-type activities	\$ 832,888	\$ 234,436	\$ 1,238,281	\$ 1,793,509	\$ 1,958,879
Total primary government	\$ 32,917,055	\$ 35,794,484	\$ 42,569,608	\$ 48,173,095	\$ 53,952,251
Change in Net Assets					
Governmental activities	\$ 19,039,333	\$ 1,698,092	\$ 3,241,721	\$ 7,605,384	\$ (45,882,579)
Business-type activities	1,928,650	131,934	3,678,127	1,166,708	3,537,082
Total primary government	\$ 20,967,983	\$ 1,830,026	\$ 6,919,848	\$ 8,772,092	\$ (42,345,497)

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34

Governmental Activities Tax Revenues by Source
 Last Five Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	E-911 Taxes	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes	Total
2006	\$ 36,481,179	\$ 5,525,376	\$ 2,005,108	\$ 841,571	\$ 1,866,077	\$ 737,060	\$ 125,896	\$ 47,582,267
2005	32,650,412	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,089,723
2004	29,451,312	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,270,476
2003	24,428,142	3,830,741	1,548,822	564,149	504,444	660,875	82,972	31,620,145
2002	22,684,654	3,659,581	1,270,679	453,131	368,118	503,264	6,379	28,945,806

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.

COUNTY OF CULPEPER, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General fund				
Unreserved, designated for subsequent expenditures	\$ 578,458	\$ 527,624	\$ 2,135,162	\$ 1,236,532
Unreserved, designated for capital projects	-	-	2,000,000	2,000,000
Unreserved, undesignated	<u>9,492,992</u>	<u>8,820,072</u>	<u>10,123,388</u>	<u>8,913,716</u>
Total general fund	<u>\$ 10,071,450</u>	<u>\$ 9,347,696</u>	<u>\$ 14,258,550</u>	<u>\$ 12,150,248</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds	<u>\$ 5,308,607</u>	<u>\$ 3,985,114</u>	<u>\$ 2,344,172</u>	<u>\$ 3,921,929</u>

Table 4

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 873,752	\$ 974,489	\$ 728,048	\$ 384,276	\$ 1,271,174	\$ 1,758,229
2,000,000	2,000,000	2,000,000	2,500,000	3,515,262	3,592,005
<u>13,559,576</u>	<u>16,641,192</u>	<u>19,421,365</u>	<u>22,557,008</u>	<u>28,591,969</u>	<u>31,589,504</u>
<u>\$ 16,433,328</u>	<u>\$ 19,615,681</u>	<u>\$ 22,149,413</u>	<u>\$ 25,441,284</u>	<u>\$ 33,378,405</u>	<u>\$ 36,939,738</u>
<u>\$ 3,791,706</u>	<u>\$ 2,129,387</u>	<u>\$ 1,691,736</u>	<u>\$ 2,673,991</u>	<u>\$ 3,209,396</u>	<u>\$ 942,798</u>

COUNTY OF CULPEPER, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	1997	1998	1999	2000
Revenues:				
General property taxes	\$ 17,846,374	\$ 18,411,386	\$ 19,819,201	\$ 19,515,562
Other local taxes	3,739,301	3,882,121	4,319,891	5,628,625
Permits, privilege fees and regulatory licenses	315,011	382,505	438,841	376,368
Fines and forfeitures	67,148	50,234	46,738	55,042
Revenue from use of money and property	1,461,717	1,255,190	1,508,457	1,121,867
Charges for services	1,564,490	1,660,206	2,074,884	2,141,159
Miscellaneous	558,744	1,836,710	792,700	1,050,828
Recovered costs	147,496	94,765	368,654	312,203
Intergovernmental:				
Commonwealth	19,249,961	21,384,648	23,330,909	25,851,848
Federal	2,951,846	3,105,359	3,125,207	4,456,072
Total revenues	\$ 47,902,088	\$ 52,063,124	\$ 55,825,482	\$ 60,509,574
Expenditures:				
General government administration	\$ 1,468,708	\$ 1,550,788	\$ 2,099,728	\$ 2,125,686
Judicial administration	977,590	1,116,992	1,280,914	1,384,594
Public safety	4,306,789	4,828,518	5,035,485	5,605,724
Public works	2,248,044	3,633,269	3,217,728	1,759,381
Health and welfare	3,645,618	4,000,922	4,446,869	5,518,988
Education	38,419,383	36,435,798	34,677,714	37,942,037
Parks, recreation, and cultural	304,883	493,837	613,341	731,991
Community development	1,172,650	1,164,754	1,091,315	3,593,303
Nondepartmental	1,713	-	-	1,768
Debt service:				
Principal retirement	935,391	1,350,166	1,452,783	1,443,594
Interest and other fiscal charges	877,442	1,228,099	1,106,054	1,073,166
Total expenditures	\$ 54,358,211	\$ 55,803,143	\$ 55,021,931	\$ 61,180,232
		0		
Excess (deficiency) of revenues over expenditures	\$ (6,456,123)	\$ (3,740,019)	\$ 803,551	\$ (670,658)
Other financing sources (uses):				
Transfers in	\$ -	\$ 3,815,774	\$ 485,441	\$ 2,835,000
Transfers (out)	-	(4,028,220)	-	(4,387,480)
Issuance of debt	6,000,000	380,622	1,325,000	3,486,136
Total other financing sources (uses)	\$ 6,000,000	\$ 168,176	\$ 1,810,441	\$ 1,933,656
Net changes in fund balances	\$ (456,123)	\$ (3,571,843)	\$ 2,613,992	\$ 1,262,998
Debt service as a percentage of noncapital expenditures	3.33%	4.62%	4.65%	4.11%

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Table 5

<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>	
\$	21,292,619	\$	22,575,874	\$	24,445,197	\$	29,211,381	\$	32,807,959	\$	36,264,828
	5,993,067		6,261,152		7,192,003		8,819,164		10,439,311		11,101,087
	602,886		712,117		941,713		1,365,250		2,114,590		2,161,763
	24,781		41,576		79,245		96,481		78,609		60,453
	2,530,417		877,544		560,014		400,316		996,690		1,743,951
	2,249,626		2,000,581		2,264,757		2,840,495		3,191,747		1,811,526
	1,155,186		1,618,808		1,201,902		966,665		1,035,588		566,864
	349,084		440,647		268,332		151,654		234,058		96,416
	27,619,708		29,274,713		30,716,302		32,241,585		35,914,126		10,336,751
	5,283,271		6,147,451		6,320,915		8,287,338		9,421,067		5,990,813
\$	<u>67,100,645</u>	\$	<u>69,950,463</u>	\$	<u>73,990,380</u>	\$	<u>84,380,329</u>	\$	<u>96,233,745</u>	\$	<u>70,134,452</u>
\$	2,353,277	\$	2,084,606	\$	2,517,002	\$	2,511,990	\$	2,848,257	\$	3,568,370
	1,513,634		1,542,471		1,592,045		1,715,860		1,939,838		2,074,360
	6,723,010		8,296,028		8,086,713		10,085,949		15,567,826		14,426,133
	1,091,607		1,637,318		1,408,116		2,619,766		1,594,033		2,794,585
	6,101,477		7,677,139		8,274,809		10,051,059		10,578,388		12,005,443
	44,342,339		53,058,639		47,026,798		49,163,156		52,082,547		85,878,274
	886,620		910,902		963,445		1,152,737		5,154,782		1,850,341
	3,383,600		881,217		886,467		923,585		1,097,985		1,285,455
	12,628		70,825		-		-		-		-
	1,357,557		1,518,820		2,072,871		2,166,671		4,208,666		2,340,953
	1,566,187		1,523,903		1,997,050		1,793,910		4,130,406		3,387,806
\$	<u>69,331,936</u>	\$	<u>79,201,868</u>	\$	<u>74,825,316</u>	\$	<u>82,184,683</u>	\$	<u>99,202,728</u>	\$	<u>129,611,720</u>
\$	<u>(2,231,291)</u>	\$	<u>(9,251,405)</u>	\$	<u>(834,936)</u>	\$	<u>2,195,646</u>	\$	<u>(2,968,983)</u>	\$	<u>-59,477,268</u>
\$	2,883,687	\$	3,421,923	\$	900,064	\$	2,065,500	\$	878,232	\$	2,102,435
	(1,788,903)		(4,153,545)		(1,110,731)		(3,295,216)		(2,565,300)		(3,999,313)
	22,000,000		(240,432)		-		2,756,251		10,615,562		62,668,881
\$	<u>23,094,784</u>	\$	<u>(972,054)</u>	\$	<u>(210,667)</u>	\$	<u>1,526,535</u>	\$	<u>8,928,494</u>	\$	<u>60,772,003</u>
\$	<u>20,863,493</u>	\$	<u>(10,223,459)</u>	\$	<u>(1,045,603)</u>	\$	<u>3,722,181</u>	\$	<u>5,959,511</u>	\$	<u>1,294,735</u>
	<u>4.22%</u>		<u>3.84%</u>		<u>5.44%</u>		<u>4.82%</u>		<u>9.88%</u>		<u>9.32%</u>

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	E-911 Taxes	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes	Total
2006	\$ 36,264,828	\$ 5,525,376	\$ 2,005,108	\$ 841,571	\$ 1,866,077	\$ 737,060	\$ 125,896	\$ 47,365,916
2005	32,807,959	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,247,270
2004	29,211,381	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,030,545
2003	24,445,197	3,830,741	1,548,822	564,149	504,444	660,875	82,972	31,637,200
2002	22,575,874	3,659,581	1,270,679	453,131	368,118	503,264	6,379	28,837,026
2001	21,292,619	3,562,482	1,235,153	374,641	269,317	474,808	76,666	27,285,686
2000	19,515,562	3,503,357	1,093,641	350,107	151,957	453,088	76,475	25,144,187
1999	19,819,201	3,260,500	1,014,385	335,662	22,527	433,841	65,361	24,951,477
1998	18,411,386	2,934,578	989,941	318,903	159,878	414,443	54,319	23,283,448
1997	17,846,374	2,847,804	971,168	316,624	118,447	406,282	50,144	22,556,843

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
1996-97	\$ 1,432,564,866	\$ 77,132,772	\$ 4,225,600	\$ 20,761,364	\$ 7,996,763	\$ 92,962,364	\$ 1,635,643,729
1997-98	1,615,897,300	81,527,039	4,618,423	25,697,286	4,267,493	93,136,336	1,825,143,877
1998-99	1,755,100,700	84,462,327	2,944,900	34,637,961	4,334,925	108,519,015	1,989,999,828
1999-00	1,803,944,800	89,792,599	3,206,000	28,408,306	51,454	106,218,265	2,031,621,424
2000-01	1,856,943,600	264,000,872 (1)	3,268,700	77,810,297 (1)	-	94,661,009	2,296,684,478
2001-02	1,911,199,400	281,868,312	3,335,500	85,457,408	-	109,358,826	2,391,219,446
2002-03	1,992,958,160	349,665,282	3,586,900	72,912,837	-	106,588,172	2,525,711,351
2003-04	2,921,047,300	329,442,255	3,862,000	68,045,868	-	132,231,633	3,454,629,056
2004-05	3,066,157,290	342,808,625	3,947,400	63,700,993	-	98,285,489	3,574,899,797
2005-06	3,288,965,945	413,325,227	4,198,000	63,833,497	-	82,981,016	3,853,303,685

(1) In fiscal year 2000-01 the Commissioner of Revenue changed assessment methodology from 40% fair market value to 100% fair market value. All other amounts are at 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital
1996-97	\$ 0.74	\$ 6.25	\$ 5.00	\$ 1.00
1997-98	0.74	6.25	5.00	0.50
1998-99	0.74	6.25	5.00	0.50
1999-00	0.74	6.25	5.00	0.10
2000-01	0.82	2.50	(2) 2.00	(2) -
2001-02	0.88	2.50	2.00	-
2002-03	0.92	2.50	2.00	-
2003-04	0.81	2.50	2.00	-
2004-05	0.89	2.50	2.00	-
2005-06	0.89	2.50	2.00	-

(1) Per \$100 of assessed value

(2) In fiscal year 2000-01 the Board of Supervisors changed tax rates as result of change in assessment methodology as disclosed in table 4.

Principal Taxpayers

At June 30, 2006

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation
SWIFT, Inc.	Communications	\$ 35,747,315	0.93%
Continental Teves	Manufacturing	32,630,510	0.85%
Rochester Corp.	Cable Manufacturer	6,398,032	0.17%
Communications Corporation of America	Consulting/Mail Services	3,425,827	0.09%
Ricky L Brown & Sons, Inc.	Gas station/market	3,022,731	0.08%
Cargill, Inc.	Flower Mill	2,361,996	0.06%
Luck Stone Corp	Stone Corporation	1,815,406	0.05%
Memco, Inc.	Steel Erection	1,757,800	0.05%
Euro-Composites	Composit Material Mfg.	1,753,783	0.05%
Merchants Grocery	Grocery	1,661,831	0.04%
Wal-Mart Stores	Retail	1,573,542	0.04%
Cedar Mountain Stone Corp	Stone Corporation	1,221,135	0.03%
Totals		\$ 93,369,908	2.42%

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
1996-97	\$ 17,136,386	\$ 16,566,121	96.67%	\$ 711,413	\$ 17,277,534	100.82%	\$ 1,167,651	6.81%
1997-98	17,842,385	17,048,176	95.55%	864,665	17,912,841	100.39%	1,129,576	6.33%
1998-99	19,740,029	18,909,383	95.79%	549,085	19,458,468	98.57%	1,023,118	5.18%
1999-00	19,908,616	19,238,696	96.64%	572,875	19,811,571	99.51%	969,289	4.87%
2000-01	22,779,724	21,764,061	95.54%	796,745	22,560,806	99.04%	1,008,418	4.43%
2001-02	25,171,456	24,210,243	96.18%	435,817	24,646,060	97.91%	946,184	3.76%
2002-03	27,954,349	26,484,236	94.74%	667,612	27,151,848	97.13%	876,797	3.14%
2003-04	31,558,554	31,079,517	98.48%	845,874	31,925,391	101.16%	1,079,230	3.42%
2004-05	35,078,394	34,416,374	98.11%	978,560	35,394,934	100.90%	1,061,835	3.03%
2005-06	38,550,624	37,955,740	98.46%	1,262,880	39,218,620	101.73%	1,166,737	3.03%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	County General Obligation Bonds	Lease Revenue Bonds	Notes Payable	School General Obligation Bonds	Capital Leases
2006	\$ 3,320,794	\$ 8,121,388	\$ 7,500,000	\$ 80,513,341	\$ 1,491,824
2005	3,437,827	8,385,000	-	28,459,369	1,099,389
2004	2,000,000	-	-	30,615,263	609,904
2003	-	-	-	31,997,685	-
2002	-	-	-	34,047,488	23,068
2001	-	-	15,000,000	22,507,995	56,355
2000	-	-	1,325,000	15,427,186	140,280
1999	-	-	1,325,000	16,765,214	245,846
1998	-	-	-	18,062,243	346,594
1997	-	-	-	17,378,381	-

(1) Weldon Cooper Website

Table 11

Business-Type Activities			Personal (1)		Percentage of Personal Income	Population (1)	Per Capita
Lease Revenue Bonds	Notes Payable	Total Primary Government	Income (amounts expressed in thousands)				
\$ 1,918,252	\$ 120,000	\$ 102,985,599	\$ 2,550,740	4.04%	45,000	\$ 2,289	
2,080,524	150,000	43,612,109	2,352,022	1.85%	43,154	1,011	
2,234,467	-	35,459,634	1,204,365	2.94%	40,151	883	
2,380,509	-	34,378,194	1,086,028	3.17%	38,585	891	
2,519,056	-	36,589,612	1,012,658	3.61%	36,893	992	
2,650,492	-	40,214,842	985,554	4.08%	35,467	1,134	
2,835,000	-	19,727,466	909,261	2.17%	34,494	572	
-	-	18,336,060	810,653	2.26%	33,593	546	
-	-	18,408,837	768,953	2.39%	33,053	557	
-	-	17,378,381	742,742	2.34%	32,384	537	

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)(2)	Gross Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
1996-97	32,384 \$	1,635,643,729 \$	19,378,381	1.18% \$	431
1997-98	33,053	1,825,143,877	18,062,243	0.99%	419
1998-99	33,593	1,989,999,828	18,090,214	0.91%	451
1999-00	34,494	2,031,621,424	19,587,186	0.96%	454
2000-01	35,467	2,296,684,478	25,158,487	1.10%	627
2001-02	36,893	2,391,219,446	34,047,488	1.42%	882
2002-03	38,585	2,525,711,351	31,997,685	1.27%	867
2003-04	40,151	3,454,629,056	32,615,263	0.94%	920
2004-05	43,154	3,574,899,797	31,897,196	0.89%	925
2005-06	45,000	3,853,303,685	93,873,775	2.44%	2,794

(1) Bureau of the Census.

(2) From Table 7

(3) Includes all long-term general obligation bonded debt, Bond Anticipation Notes, and Literary Fund loans. Excludes revenue bonds, capital leases, and compensated absences.

Computation of Direct and Overlapping Bonded Debt
At June 30, 2006

Direct:(1)

County of Culpeper, Virginia	\$	93,873,775	100%	\$	93,873,775
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The County of Culpeper has no overlapping debt.

Demographic Statistics
Last Ten Fiscal Years

Year	Population (1)	School Enrollment	Unemployment Rate (2)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (2)
1996-97	32,384	5,247	3.30%	\$ 742,742	\$ 22,935
1997-98	33,053	5,327	2.30%	768,953	23,264
1998-99	33,593	5,522	2.00%	810,653	24,132
1999-00	34,494	5,555	1.60%	909,261	26,360
2000-01	35,467	5,594	1.60%	985,554	27,788
2001-02	36,893	5,777	2.10%	1,012,658	27,449
2002-03	38,585	6,002	3.50%	1,086,028	28,146
2003-04	40,151	6,260	2.60%	1,204,365	29,996
2004-05	43,154	6,408	3.20%	2,352,022	54,503
2005-06	45,000	6,893	3.20%	2,550,740	56,683

(1) U. S. Census Bureau

(2) Virginia Employment Commission

Principal Employers
Current Year

Employer	Fiscal Year 2006	
	Employees	% of Total County Employment
Culpeper County Public Schools	1,183	6.33%
Culpeper Regional Hospital	600	3.21%
Wal Mart	438	2.34%
County of Culpeper	400	2.14%
SWIFT	350	1.87%
Coffeewood Correctional Center	350	1.87%
Merillat Industries, Inc.	340	1.82%
Builder's First Source	300	1.61%
Va. Dept. of Transportation	284	1.52%
Cintas	265	1.42%
Totals	4,510	

Source: Individual County departments.

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	24	24	26	27	29	29	28	31	38	39
Judicial administration	22	22	23	25	26	28	28	28	28	29
Public safety										
Sheriffs department	58	58	63	66	68	70	73	76	77	76
E911	11	11	11	13	13	15	15	15	17	17
Fire & rescue/emergency services	2	2	2	6	6	6	7	9	11	11
Building inspections	7	7	7	7	8	8	8	11	13	13
Animal control	5	5	5	5	5	5	8	9	10	10
Public works										
General maintenance	6	6	6	6	6	6	5	2	3	3
Landfill	2	2	3	4	4	4	4	4	4	5
Water & Sewer	0	0	0	1	1	1	1	1	1	1
Health and welfare (Options/CSA)	5	5	5	5	5	2	2	2	3	3
Department of social services	32	32	37	43	51	52	84	80	86	86
Culture and recreation										
Parks and recreation	2	2	2	3	3	3	4	4	4	5
Library	4	4	4	4	5	5	5	5	5	5
Community development										
Planning	5	5	5	5	6	6	6	6	7	7
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	1	1	1	2	2	2	2	2	2	2
Totals	188	188	202	224	240	244	282	287	311	314

Source: FY adopted budgets

Operating Indicators by Function
Last Five Fiscal Years

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Sheriff	Physical arrests	2,223	2,558	2,416	2,644	2,908
	Traffic violations	1,935	1,984	1,468	1,306	1,175
Fire Protection	Number of stations	7	7	7	7	7
Community Development	Residential building permits	513	530	829	1,091	1,800
Parks and Recreation	Number of parks and recreation facilities	3	3	3	3	3
	Number of libraries	1	1	1	1	1

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County of Culpeper, Virginia's basic financial statements and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Culpeper, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the County of Culpeper, Virginia, in a separate letter dated November 9, 2006.

This report is intended solely for the information and use of the Board of Supervisors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 9, 2006

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia

Compliance

We have audited the compliance of the County of Culpeper, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The County of Culpeper, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on the County of Culpeper, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 9, 2006

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Primary Government:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Food Distribution -- Culpeper County Jail	10.560	\$ 456
State administration matching grants for food stamp program	10.561	547,130
Food - social services	10.558	77,237
Total Department of Agriculture		\$ <u>624,823</u>
Department of Aviation		
Pass Through Payments:		
Department of Aviation:		
Airport grant	20.106	\$ <u>1,476,105</u>
Department of Health and Human Services:		
Direct Payments:		
Head start	93.600	\$ 976,066
Pass Through Payments:		
Department of Social Services:		
Family preservation and support	93.556	16,393
Temporary assistance to needy families	93.558	433,603
Refugee and entrant assistance	93.566	605
Low income energy assistance	93.568	17,448
Child care assistance	93.575	321,799
Child care and development fund	93.596	1,354,630
State wide fraud	93.000	13,960
Foster care	93.658	724,406
Adoption assistance	93.659	110,231
Social services block grant	93.667	205,011
Independent living	93.674	5,466
Administrative families allocation	93.767	797
Medical assistance program	93.778	475,170
Total Department of Health and Human Services		\$ <u>4,655,585</u>
Virginia Employment Commission:		
Pass Through Payments:		
Welfare investment act--adult program	17.258	\$ <u>408,857</u>
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug control and system improvement	16.579	\$ 29,210
Law enforcement block grant	16.592	1,150
Crimes victims assistance	16.575	56,320
Universal hiring grant	16.000	46,000
Bullet proof vest grant	16.000	9,378
Violence against women formula grants	16.588	36,076
Total Department of Justice		\$ <u>178,134</u>
Department of Transportation :		
Pass through payments:		
State and community highway safety program	20.604	\$ <u>10,009</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Primary Government: (Continued)		
Election Assistance Commission :		
Pass through payments:		
Virginia Election Commission:		
Help America vote act	90.401	\$ <u>10,999</u>
Department of Homeland Security :		
Pass through payments:		
State homeland security grant program	97.004	\$ 47,500
Disaster planning and operation	97.000	49,987
Emergency management preparedness grant	97.042	<u>5,375</u>
Total Department of Homeland Security		\$ <u>102,862</u>
Total Expenditures of Federal Awards-Primary Government		\$ <u><u>7,467,374</u></u>
Component Unit School Board:		
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution -- Schools	10.555	\$ 109,971
Department of Education:		
National school lunch program	10.555	200,674
National school breakfast program	10.553	<u>697,126</u>
Total Department of Agriculture		\$ <u>1,007,771</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title 1 grants to local educational agencies	84.010	\$ 821,664
Handicapped preschool & school programs --		
Handicapped - state grants -- Title VI-B	84.027	1,466,219
Vocational education program improvement --		
Vocational education -- basic grants to states	84.048	102,558
General education - drug free schools --		
Drug-free schools and communities	84.186	23,971
Special Projects:		
Title III	84.365	25,480
Title V -- Part A	84.298	12,990
Advance placement	84.330	260
State assessments and related activities	84.369	3,956
Technology literacy challenge	84.318	25,696
Preschool	84.173	24,680
Title II -- Part A	84.367	249,432
21st century	84.287	<u>139,918</u>
Total Department of Education		\$ <u>2,896,824</u>
Total Expenditures of Federal Awards-Component Unit School Board		\$ <u>3,904,595</u>
Total Expenditures of Federal Awards-Reporting Entity		\$ <u><u>11,371,969</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2006

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Culpeper, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 5,965,813
Capital Projects Fund	25,000
Airport Fund	<u>1,476,105</u>
Total primary government	<u>\$ 7,466,918</u>

Component Unit Public Schools:

School Operating Fund	\$ 2,896,824
School Cafeteria Fund	<u>897,800</u>
Total component unit public schools	<u>\$ 3,794,624</u>
Total federal expenditures per basic financial statements	<u>\$ 11,261,542</u>

Non-cash expenditures - value of donated commodities	<u>\$ 110,427</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,371,969</u></u>
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COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section . 510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Grant
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs	\$341,159
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.